World Food Programme

A Report from the Office of Evaluation

Full Report of the Evaluation of the Business Process Review (BPR)

Rome, April 2006

Ref. OEDE/2006/9

Acknowledgement

The evaluation team started its work in mid-January 2006 and completed its work in April. During this period the team interviewed numerous WFP staff in Headquarters and the field, as well as representatives of most of the major donors to the Programme. Field visits were undertaken to Johannesburg, Dakar, Kampala and Khartoum.

The present report was prepared by the team leader, with substantial inputs from the team members, on the basis of extensive documentation and data research, interviews and the four field visits.

On behalf of the team, the team leader wishes to extend his thanks to all those who facilitated the team's work, in WFP Headquarters, field offices and donor representation offices or capitals. A list of the main persons met will be found in Annex VIII to this report.

Responsibility for the opinions expressed in this report rests solely with the authors. Publication of this document does not imply endorsement by WFP of the opinions expressed.

Mission Composition

- Michael Gotthainer, team leader (independent consultant).[1]
- Bronek Szynalski, team member (WFP retiree; independent consultant).[2]
- Barry Riley, team member (independent consultant).[3]
- Nils Grede, Business Analyst/Change Management, OED (Researcher and data analyst).[4]
- Julian Lefevre, Chief Evaluation Officer, OEDE (evaluation manager).[5]

1 The team leader focused on Headquarters research/interviews and the financial aspects of the BPR.
2 The second team member, Bronek Szynalski, focused on the operational aspects of the BPR, primarily through the four field visits and drafted the subsequent field reports which will be found in Annex to this full report.
3 The third team member, Barry Riley, focused on donor issues as they relate to the BPR.
4 The Researcher/Data Analyst, Nils Grede, assisted the team with the calculation of benefits from the BPR, including cost savings, additional beneficiaries reached etc. He also participated in the field visits to Johannesburg and Kampala.
5 The evaluation manager participated in the four field visits to Johannesburg, Dakar, Kampala and Khartoum.

Acronyms

BCG	Boston Consulting Group
BPR	Business Process Review
CERF	UN Central Emergency Response Fund
CO	Country Office
DSC	Direct Support Costs
DSCAF	Direct Support Costs Advance Facility
FDD	Fund Raising and Communications Department – Donor Relations
EB	Executive Board
EMOP	Emergency Operation
HQ	Headquarters
ICRC	International Committee of the Red Cross
IRA	Immediate Response Account
LTSH	Landside Transport, Storage and Handling
ODD	Regional Bureau for West Africa - Dakar
ODJ	Regional Bureau for Southern Africa - Johannesburg
ODK	Regional Bureau for East and Central Africa – Kampala
ODM	Operations Department – Programme Management Division
ODOC	Other Direct Operational Costs
OEDA	Office of the Executive Director - Office of Internal Audit
OEDB	Office of the Executive Director - Office of Budget
OEDBP	Office of the Executive Director – Business Planning
OEDSP	Office of the Executive Director - Special Projects
OEDE	Office of Evaluation – Division for Results Based Management
PCA	Project Cash Account
PO	Purchase Order
PR	Purchase Requisition
PRRO	Protracted Relief and Recovery Operation
RB	Regional Bureau
RFA	Regional Financial Analyst
SI	Shipping Instruction
SO	Special Operation
WCF	Working Capital Financing

Table of Contents

ANNEXES

Executive Summary

In 2003 the Secretariat implemented a Business Process Review (BPR) of WFP's business processes and procedures designed to improve organizational efficiency, maximize the use of resources and better respond to the needs of beneficiaries by improving the on-time availability of food aid. This was to be achieved through:

- Controlling project expenditures in a single project cash account (PCA) rather than by expenditure component enabling managers to shift funds as needed including advancing funds not immediately required for other more urgent purposes;
- Utilizing WFP's temporary cash surplus or working capital to finance loans to projects to enable them to start operations ahead of contributions being announced and to maintain commodity pipelines or meet other immediate requirements, committing the Operational Reserve should the loans become impossible to repay;
- Advancing funds against forecast contributions and providing detailed forecasts to project managers of donations expected to be available for use in repaying funds advanced or loaned;
- Improving the organization's planning and budgeting process through the introduction of planning tools;
- Reducing the balance of cash and commodity resources held in projects at closure and facilitating the transfer of resources to successor projects.

The Executive Board (EB) approved changes to the Financial Regulations committing the Operational Reserve and allowing expenditures to be incurred based upon forecast contributions. These elements were implemented in 2004-2005 in nine pilot projects selected by the Secretariat. A commitment was made to the EB to evaluate the implementation of the BPR prior to its extension to other projects.

The evaluation team undertook an extensive document and data research and review. It conducted numerous interviews with staff at headquarters and with donor representatives. Two team members and the evaluation manager travelled to four of the pilot project locations in the field and interviewed regional bureau and country office staff responsible for the pilot projects. Staff members of the remaining pilot projects were interviewed by telephone.

Key Findings

The BPR has successfully enabled pilot projects to accomplish two major goals – maximizing the utilization of contributions and ensuring that food is made available to beneficiaries on a timely basis.

Within this overall positive conclusion the following were the key findings:

- The BPR process has improved the timely provision of commodities to beneficiaries. Using a different methodology the team undertook a review of the additional beneficiaries served and commodity savings for three of the major pilot projects and confirmed that in those projects – Uganda, West African Coastal and Southern African Regional Protracted Relief and Recovery Operations (PRROs) – an additional 18 percent to 30 percent of beneficiaries had indeed been served on a timely basis and cost savings achieved. The magnitudes of each were estimated to have been somewhat lower than those reported earlier, however, using the methodology developed by the evaluation team for its work.
- The working capital financing (WCF) loan facility has successfully revolved US$167.5 million of US$185.5 million in loans authorized. Use of the Operational Reserve may total about US$6.2 million, i.e. less than 3.3 percent of the total amount loaned and less than one percent of the total budgets of the nine pilot projects, well within the risk guideline originally proposed.[1]
- US$74.1 million has been advanced using the PCA, of which US$53.3 million has been repaid. Pilot project managers have indicated that there may be repercussions on operations of advancing from the PCA (especially if drawn from LTSH funds) and potential delays or difficulties in repayment of some of the remaining balances. No funding has been provided to cover any potential losses.
- While the new "prototype" project planning tool developed during the pilot phase has helped to ensure that current information on project operation and status is available in a consistent format (thereby bringing potential financing and commodity availability to the attention of relevant parties), its regular (monthly) up-dating has been reported as being complex and demanding.
- The forecasting of donations has assisted managers to better estimate the resources available to the pilot projects and to repay advances made from the WCF loans and PCA advances. The accuracy of the forecasts varies considerably, however, highlighting the need for improved communication between forecasting staff and operational staff in order to minimize the risk of lending decisions being based on incomplete understanding of the determinants of the forecasts, in particular donor conditionality.
- The guidelines available to assist in understanding the use of the loan facilities and repayment procedures have been limited and lacking in consistency. Pilot project managers expressed concern regarding the lack of information about relevant policies.
- Information from the three pilot projects that have been closed indicates a reduction in outstanding balances when compared to the average balances for

[1] This was the situation in April 2006, at the time that this report was being finalized. The anticipated loan default was in connection with the Democratic Republic of Congo (DRC). It is understood that the outstanding DRC loan is being further reduced, however.

all WFP operations. The sample is probably too small, however, to serve as an indicator of the likely closing balances in the remaining projects.

- It is felt that there could be overlap among the various advance/loan facilities available to WFP project managers, including the Immediate Response Account (IRA), Direct Support Costs Advance Facility (DSCAF), WCF, PCA and the UN Central Emergency Response Fund (CERF)[2]. Field managers expressed some confusion about which facility to utilize, priorities for repayment of outstanding debt and the status of outstanding loans when projects end.[3]

While the plans for expansion of the BPR were not covered by this evaluation, the team did review some of the efforts underway to provide an opportunity for participation by additional operations. The assumption of responsibility by the Operations Department (ODM) for the BPR has enlarged the resources available to assist in its further expansion. ODM has already developed a simplified prototype to replace the current project planning tool. The BPR exercise is quite labor-intensive in both HQ (Operations and Fund Raising) and in the field, however. The ability of WFP to sustain this level of staff time in an expansion of these processes to a substantially larger number of countries and operations needs to be explored carefully before such a step is taken.[4]

2 The CERF has recently been increased from a target of US$50 million to a target level of US$500 million, of which US$450 million (90 percent) should be in the form of grants and US$50 million in the form of loans. A box on the new CERF appears further in this report. According to a joint OD/AD email of 16 March 2006, during this interim period, all requests for CERF loans or grants should be channeled through ODMP. Sudan has its own UNOCHA managed "Common Humanitarian Fund" (CHF), currently (March 2006) standing at US$121 million and serving similar purposes to the CERF, but at the national level.

3 A joint OD/AD email of 16 March, issued during the evaluation process, explained to staff that "ODMP and OEDB have initiated a comprehensive review of the various funding mechanisms, which will cover their historical use and effectiveness in different situations, in order to recommend opportunities for further simplification and improvement".

4 In the longer term, the New Business Model (NBM) should allow field offices to streamline their internal work processes and distribution however, resulting in improved project management discipline, as well as financial and workload savings.

1 INTRODUCTION

In March 2003 the WFP Secretariat began a review of its business processes in an attempt to make the organization more efficient and more responsive to the needs of targeted beneficiaries. With the assistance of the Boston Consulting Group (BCG) several processes were identified that would improve the rate of utilization and the timing of resource availability to beneficiaries.

The Secretariat decided to initiate a limited, pilot programme utilizing these processes – collectively termed the "Business Process Review" (BPR) – in five pilot projects (one of which was not initiated) for a one year period, starting in 2004. The pilot period was subsequently extended through 2005 and four additional pilot projects were added bringing the total to nine. The pilot programme is now nearing completion and this evaluation has been undertaken to provide WFP management and the EB with information on whether it accomplished the objectives set out and whether there are lessons to be reviewed, and issues requiring attention.

As part of its work the evaluation team:

- Conducted interviews at headquarters with representatives of Finance, Procurement, Budget, Operations, Change Management, Fund Raising, External Relations, Internal Audit and the Office of the Executive Director;
- Made field visits to four of the nine offices involved in the pilot projects – Johannesburg, Dakar, Kampala and Khartoum;
- Conducted telephone interviews with representatives of four of the remaining pilot projects – Democratic Republic of Congo, Ethiopia, Indonesia and the Occupied Palestinian Territories, together with interviews at HQ of staff formerly assigned to the pilot projects. The People's Republic of China country programme had been closed by the time of the evaluation;
- Conducted interviews with Rome based representatives of donors along with other representatives attending the first session of the Executive Board in early 2006. Representatives of two major donors were also interviewed at their headquarters.

This report represents an evaluation of the relevance, effectiveness and impact of the BPR in addressing its specific goals in the nine pilot projects chosen by the Secretariat. It is not an evaluation of the possible impact of a more extensive roll out of the BPR nor of the procedures and training for such a roll out, as these have not been finalized and were not made available to the evaluation team. The evaluation is made in response to a commitment made to the Executive Board for an independent evaluation of the results of the pilot projects, prior to a decision being taken on possibly expanding the BPR.

2 BACKGROUND

In April 2003 the Secretariat informed the EB that it had begun a business process review[1]. During informal consultations held in November 2003 and January 2004, the Secretariat described in more detail the changes proposed in the BPR. This was followed up in January 2004 with the Business Process Review: Pilot Financing Paper[2] which indicated that that the BPR was designed to improve the efficiency of WFP, primarily to ensure maximum use of resources to meet the needs of the greatest number of beneficiaries, including the following two primary objectives:

- To improve business processes to ensure full utilization of contributions;
- To ensure that resources are made available to beneficiaries when needed.

The purpose was changed and re-defined in October 2004 in the Business Process Review: Second Progress Report on the Pilot Projects[3], in order to:

- Maximize the utilization of resources destined to a project;
- Improve on-time availability of food aid in country.

BPR Definition

The Pilot Financing Paper[4], the second Business Process Review Progress Report [5] and the Business Process Review Working Capital Financing paper[6] provided additional information, further defining the BPR as consisting of the following elements:

a. A <u>single project cash account</u> or PCA ("single pot") which provided for control of cost components by project rather than by each component. These components are commodity, external transport, landside transport, storage and handling (LTSH), other direct operational costs (ODOC) and direct support costs (DSC). It excluded indirect support costs (ISC). This approach was designed to enable project managers to utilize contributions more flexibly, thus enabling them to respond to the immediate financial needs of a project on a timely basis.

b. <u>Improved forecasting of donations</u> to provide essential estimates of income likely to be available to projects in the foreseeable future. The Fund Raising and Communications Department (FDD) would assume responsibility for forecasting expected contributions through frequent donor contacts and analysis of other relevant information.

c. <u>Financing operations based upon forecasts.</u> While awaiting the receipt of confirmed contributions needed to purchase commodities and finance related support costs in BPR projects, forecasts of the amount and timing of donor contributions promised but yet delivered are used as collateral to enable the internal borrowing of cash (i.e. working

1 Document WFP/EB.A/2003/6-A/1.
2 Document WFP/EB.1/2004/5-A/1.
3 Document WFP/EB.3/2004/12-B/1.
4 Document WFP/EB.1/2004/5-A/1.
5 Document WFP/EB.3/2004/12-B/1.
6 Document WFP/EB.1/2005/5-C.

capital) from cash surpluses, consisting of contributions from other donors being held temporarily in WFP accounts, pending their use later in other projects.

d. Timely project closures and transfer of unutilized resources to follow-on or similar projects as a means of increasing available resources to these follow-on or new projects in a timely manner and improving overall resource management.

e. Enhanced project, planning, execution and monitoring through the use of a project planning tool linking the logistics and cash pipelines.

f. Enhanced project budgeting, preparation and approval including multiple-scenario budgeting capable of adjusting quickly to operational requirements.

g. Augmented regional oversight through the creation of regional financial analyst (RFA) posts to monitor budgetary performance and provide support to the BPR projects.

Each of these items is discussed in detail below. In addition to these elements, the update of WFP's business processes included several other components of the new business model:

h. Enhanced assessment of needs to ensure that all Emergency Operations (EMOPs) are supported by a rigorous assessment documentation to improve accountability and transparency. This area was discussed in more detail in a paper on "Strengthening Emergency Needs Assessments: Progress to Date and Implementation Plan".[7]

i. Enhanced donor reporting on project performance to reflect changes implemented or to be implemented at the end of the pilot phase of the BPR.

j. Prioritization of food-aid through closer links with the procurement and transport mechanisms of in-kind donors and WFP's internal supply-chain processes to be to be implemented later as part of the new business model.

Although these items were discussed in the reports provided to the EB on the BPR, item (h) - enhanced assessment of needs - was the subject of a separate analysis. The implementation of items (i) and (j) has not yet been done. These items are not included in the detailed information provided below, therefore.

Executive Board Decisions

As part of the implementation of the BPR the EB approved the following actions:

- **Project Cash Account**: As a first step in the process the EB was asked in April 2003 to approve the implementation of the single project cash account.[8]
- **Financing based on forecast donations**: As a second step the EB was asked, in January 2004, to take note of the five pilot projects and to approve the use of the Operational Reserve to finance the pilot projects on the basis of forecast contributions.[9]

---

[7] Document WFP/EB.3/2004/4-E.
[8] Document WFP/EB.A/2003/6-A/1.
[9] Document WFP/EB.1/2004/5-A/1.

- **Working Capital Financing:** Prior to the implementation of the BPR in four additional pilot projects the EB was asked to approve an advance ceiling of US$180 million for working capital financing (WCF), thus enabling the Executive Director to ensure continued financing of projects pending confirmation of forecast contributions (Financial Regulation 10.8). In addition, changes were approved in the Financial Regulations (FR) to allow expenditures to be incurred during project preparation (FR 8.1) and use of the Operational Reserve to cover cases where a forecast contribution used as collateral for a WCF does not materialize (FR 10.6).

Pilot Projects

Initially the Secretariat decided to test the BPR in five pilot projects as follows:

Democratic Republic of Congo PRRO 10288.0

Indonesia PRRO 10069.1

Palestinian Territories EMOP 10387.0

West African Coastal PRRO 10064.2

Cambodia PRRO 10305.0

The Cambodia PRRO was dropped due to operational concerns. The China country programme (10050.0) was added to the pilots to test how the BPR could help reduce timing problems in the delivery of resources in a development context.

The pilot was expanded to include a second group of projects in 2005, as follows:

Ethiopia PRRO 10362.0

Uganda PRRO 10121.1

Southern African Regional PRRO 10310.0

Sudan (Darfur) EMOP 10339.1

Sudan EMOP 10048.3

In undertaking this evaluation, the team visited four of these currently active pilot projects – in Johannesburg, Dakar, Kampala and Khartoum. Detailed descriptions of the field visits are contained in the annexes.

BPR Management

In March 2004, the responsibility for management of the BPR was assigned to the Office of Business Planning within the Office of the Executive Director (OEDBP). This unit consisted of a combination of WFP staff and consultants. It was responsible for the review of WFP's corporate business planning process and identification of improvements necessary to overcome internal and external obstacles impeding the achievement of BPR objectives.

In June 2005, responsibility was transferred to the Operations Division (ODM) in order to better incorporate the goals and elements of the BPR into the general operations of the Programme. The responsibility for providing staff support to the Credit Committee in its review of WCF loan applications and conducting the quarterly reviews of pilot projects is assigned to OEDSP, however.

3 OVERALL PERCEPTIONS OF STAFF AND DONORS

Both WFP staff and donor representatives feel that the BPR has responded to a verifiable need and hold a generally positive view of the BPR.

Staff perceptions

Many staff members are convinced that the BPR has enabled operations to reach additional beneficiaries on time and has improved planning, which should lead to management improvements. Specific comments included:

- Borrowing against forecast contributions is a logical next step after having allowed country offices (COs) to borrow against confirmed contributions;
- The concept of a 'single pot' (PCA) increases flexibility to utilize funds within an on-going project in an un-bureaucratic way, but it increases the risk of the CO buying commodities using funds borrowed from a non-commodity sub-account in the PCA (for example LTSH) for which anticipated replenishment funds turn out to be insufficient;
- BPR loans have enabled WFP in some instances to optimize the cost efficiency of its operations by buying commodities or services at times where prices were low;
- The BPR process has allowed projects to reach beneficiaries on time and in greater numbers than could otherwise have been achieved had they waited for pledged donor resources to be confirmed;
- Creation of a unique set of tools ('BPR package') – despite some shortcomings – has enabled the field and HQ to communicate with each other around a standardized set of information – "everybody now speaks the same language".

As part of the evaluation, the team conducted field visits to four of the BPR pilots, as noted above. Some of the more significant comments include:

i) In the four projects, the BPR has helped stabilise project pipelines and improve WFP's ability to respond to the needs of beneficiaries, particularly in the modalities of timely delivery, increased quantities of food available and financial savings from buying food in local markets at times when prices were seasonally low;

ii) The BPR process has improved financial discipline and resources management and has encouraged better forward planning. The regional bureau staff indicated that this change now requires reinforcement at the country level;

iii) Notwithstanding a positive overall assessment, most project staff have a limited understanding of the whole BPR process and feel a need for comprehensive guidelines on borrowing options (including IRA, DSCAF and CERF), borrowing conditions and priorities for reimbursement;

iv) There is a lack of communication between field offices and the Fund Raising Department (FDD) on forecasting of donations, donor conditionality accepted by WFP and concern about the accuracy of forecasts.

Some staff members interviewed were concerned that the BPR may engender negative consequences in the final months of a BPR operation when loan replenishment possibilities may have been exhausted and where remaining resources options may be too restrictive to keep the pipeline at an optimal level.

There was also concern that the availability of BPR resources at earlier stages of a project may impact negatively on the level of subsequent donations, resulting in delayed donation confirmations. This is because donors may have an overly positive impression of the resources and pipeline situation of an operation, due to BPR loans and advances.

Some staff members expressed concerns that the BPR may favour those operations which are relatively better supported by donors, while not helping the less popular operations.[10]

Donor Perceptions

Donor reactions can be divided into three groups:

- Those who agree with the objectives, are pleased with the reported progress, but do not fully understand the modalities (the majority);
- Those who know very little about the BPR, but express trust in WFP management's ability to manage the process satisfactorily (some);
- Those who are fully conversant with the BPR, have watched its progression since 2003, and have an active interest in the specifics (a minority).

Without exception, donors interviewed felt that the objectives of the BPR are appropriate and that the BPR process is an essential element of WFP efforts to improve resource management and provide more food to more people on time.

Donor comments included favourable impressions of:

- the link between improved performance generated by the BPR process and the improved response to emergencies;
- improved overall management of donor-provided resources.

[10] It should be noted, however, that the new CERF may allocate up to a third of its grant resources to under-funded relief operations. If the grant element of the CERF (US$450 million) is fully funded, this would mean that up to US$150 million could be available for under-funded relief operations each year.

In addition, a number of donors emphasized their own efforts to be helpful in enhancing WFP's capability to achieve BPR objectives. Such steps include:

- efforts to make known to WFP as early as possible what their up-coming contributions would be (plus on-going efforts by three donors to move towards multi-year commitments);

- progress by at least three donors in further untying their commodity assistance;

- support and technical assistance from at least one donor to help WFP overcome capacity constraints at the country level;

- willingness to overcome initial scepticism and to support WFP in this experimental undertaking.

The donor interviews conducted for this evaluation show that there is considerable trust in the design and implementation the BPR thus far. The progress reports submitted to EB meetings during the 2003-2006 period and the additional briefings provided to donors have translated into a sense, among almost all the donors interviewed, that the BPR is proving a feasible approach for getting more food to beneficiaries on time.

If there is a concern it relates to the level of financial risk inherent in the BPR system. Several donors stressed that they do not necessarily agree with WFP management views that the funds that are at risk when WFP borrows internally for the WCF (or when a CO moves funds from one account to another through the PCA mechanism) are WFP funds, not donor funds. These donors are not convinced that the risk is WFP's and not the donor's. There is also some scepticism that the actual level of overall risk is as low as the 1 to 2 percent which WFP has publicised.

The high level of support for the BPR among donors is based on the positive progress or results reported, upon the progress in better managing the project close-out process and the related management of financial and commodity resources. Future reporting should strive to be as accurate and as transparent as possible, in order to sustain this high level of confidence in WFP management.

4 PROJECT PLANNING AND BUDGETING

There is no corporate, comprehensive planning tool in use by all projects or offices. Each country or region has customized the WFP pipeline management programme for its own needs and designed its own financial reporting solutions using spreadsheets; some offices use a combination of manual reports prepared by project staff and information downloaded from one of the corporate database systems.

Each of the pilot projects participated in the BPR in a new project planning and budgeting exercise, enabling project management to better plan the pipeline and commodity purchases. This involves preparation of monthly budgets showing the funding required for each project component and the commodities required by metric ton and type of commodity. The monthly information is updated to reflect actual revenue, expenditure and commodity movements for the previous period and is reviewed monthly by the regional bureau. A review of the spreadsheets takes place quarterly with participation of involved headquarters offices along with the participation of the regional bureau and country office(s).

This new design provides an opportunity for project management to better plan commodity purchases and to simplify the movement of budgets and inventories from one phase of a project to another. The information also enables senior management in country offices, regional bureaux and HQ to more closely monitor on-going operations using current information.

BPR Project Planning Spreadsheets

To facilitate the implementation of the BPR project budgeting and planning model, a project planning tool using spreadsheets was designed initially by BCG and subsequently modified by WFP personnel. The tool includes a number of worksheets on which information is provided, including:

- A DSC monthly plan by type of expenditure;
- A logistical “set-up”, showing commodities by corridor, recipient country and commodity type, including set-up parameters reflecting timing required for purchasing and the budgeted rates for commodity purchases and LTSH;
- A monthly actual and projected inventory of commodities by type and location along with monthly distributions and deliveries (planned, scheduled and actual);
- Information from the WFP Financial System (WINGS) on monthly commitments and uncommitted balances by project component;
- Monthly projected beneficiaries at 100 percent and at the planning level based upon existing resources;
- Information provided by FDD on forecast donations, contribution history for the project by donor, together with a separate worksheet to record information on forecast and confirmed donations prepared by the CO or RB;

- A summary of loans outstanding – including IRA, DSCAF, CERF and WCF - and internal advances using the PCA – along with repayments scheduled and completed.

The spreadsheet is currently designed for manual input so that data from the financial system (WINGS), logistics system (COMPAS) and the fund raising system (RMS) must be manually re-entered on the required worksheets. In addition, information on actual distributions from inventories and numbers of beneficiaries must be manually recorded.

Once the data is entered, the information is consolidated and summarized automatically onto other worksheets producing reports on:

- Quarterly metric ton shortfall by commodity and recipient country;

- Financial forecast, showing detailed budget by month and component along with information on contributions received, loans outstanding and repaid and beneficiaries served;

- DSC and ODOC actual versus forecasts, by object of expenditure.

A major advantage of the BPR project planning tool is the opportunity for all units involved in the projects – country office, regional bureaux, Office of the Executive Director, Operations Department, Finance Department and FDD – to have access to the same information in the same format. This simplifies monitoring at various levels and this is extremely important, given the complexity and size of some of the pilot projects. In addition, for those offices and projects that did not have one in place or readily available, it provided a pipeline management or financial reporting system.

Problems Identified

There have been a number of difficulties with the existing project planning tool reported by both headquarters and field office personnel. These include:

- The re-entry of data from WINGS, COMPAS and RMS required by the current system results in significant additional work effort and some errors. Several of the larger pilot projects expressed the opinion that the existing spreadsheet was too complex and had found it necessary to engage dedicated staff to handle its preparation.

- The worksheets producing the automated reports are not “locked” and input staff members occasionally (by mistake or deliberately) override the formulae invalidating the information compiled on the reports. On occasion, spreadsheets submitted to headquarters must be revised to correct input errors or to restore formulae.

- The worksheets on donations forecasts, loans outstanding and repayments are not linked, so that assigning a specific contribution to a specific loan repayment is all manual.

- In certain country offices only one of the projects in the current operation was included in the BPR exercise and therefore required to utilize the BPR spreadsheet format. Rather than utilize the spreadsheet for all projects, many offices decided to continue utilizing internal systems causing management to function using two systems often with significantly different designs and reporting.

- Though projects were required to produce the tool on a monthly basis it was reviewed only quarterly and monthly preparation on a current basis was not always maintained. In addition, those projects that did not accept or had fully repaid the WCF loans often felt that the tool was an added burden and its preparation and submission were not strictly enforced.

- Training and manuals provided to the projects were oriented primarily to the completion of the spreadsheet rather than how to utilize the spreadsheet tool for project planning purposes. No process maps have been put together to instruct the field how to change their process management. Project and office staff often viewed the spreadsheet solely as a requirement for external quarterly reporting and did not integrate it and the information it produced into project operations.

The Finance Department also expressed concerns about the fact that financial information was being re-entered on the spreadsheet without input from the country or regional finance officers which might have access to information on items in progress or other facts not readily available to other project and country/regional offices. Failure to make note of such information could cause the financial reporting on the spreadsheet to lack essential facts.

To assist the pilot projects in the implementation of the BPR, OEDBP developed several guides including the "Supply Chain Planning and Reporting Upstream Execution Monitoring Tool User Guide" (in June 2005), the "Project Planning Tool – Developing the Business Plan" and the "Business Plan – Financial Planning Module User Guide" (July 2005). These guides are quite technical in nature and primarily oriented toward completion of the BPR package spreadsheets rather than in reorienting country offices and regional bureaux to the new planning processes.

A regular complaint heard during the field visits and in telephone conversation with pilot project staff was the fact that the design and development of the BPR spreadsheets had been almost exclusively headquarters-driven with little involvement of field staff in determining the content, format of reports, etc. Staff in a few of the pilot projects indicated that they had continued to utilize existing locally developed pipeline management techniques because the spreadsheets were not user friendly and did not provide the reports required by management.

In August 2005 information was solicited from country offices and regional offices on the project planning tool through a questionnaire and interviews conducted with the assistance of the BCG. Although the evaluation team did not have an opportunity to review the individual questionnaires or interview notes, information from a presentation on the Feedback Project Finding, dated 12 August 2005, indicated that the general impression of the tool was less than positive with respect to its filling information needs, work processes, support provided and was also weak as to its user friendliness and guidance available.

Despite RFA support, HQ does not seem to have been completely successful in training COs and RBs to manage the BPR process.

New Project Planning Tool

The Operations Department - Programme Management Division (ODM) has begun to address the above-mentioned problems and has prepared an updated project planning tool which consists of six linked spreadsheets onto which data may be directly downloaded (on a daily basis if required) from WINGS, COMPAS and RMS. This will help to eliminate the errors caused by the re-entry of data and will also reduce work effort and complexity. In addition, the new spreadsheets provide for assigning specific forecast contributions to specific loan repayments to ensure that managers and HQ monitoring units are aware of how each contribution is linked. The new spreadsheet also puts information into consolidated reports so that information on the current status of finances, loans (including the PCA), pipeline and contributions can be viewed from a single report rather than having to refer to several different worksheets. The completion of the spreadsheet, manuals and the corporate system downloads is currently anticipated during 2006, however, it must be emphasized that the new tool is an untested prototype and substantial testing and training will be necessary to ensure its success.

The training required to ensure that the new project planning tool is utilized as accurately as possible will be substantial in the existing BPR pilots and in any additional projects included in a further “roll out” in 2006 and later. The evaluation team was not provided with the training design or the plans for the schedule of additional projects that would utilize the new project planning tool, so it was not possible to consider them as part of the evaluation.

While the new spreadsheet will simplify data entry using downloads directly from corporate systems and reduce work effort and errors it has the limitations of a spreadsheet. A further step will be the integration of the information from the spreadsheet directly into the corporate systems. This is planned to be included in the design for WINGS II which will update the financial system and its links to other corporate systems including COMPAS and RMS. Once this becomes operational (currently planned for 2008) the spreadsheets can be eliminated and global use of the tool for planning and monitoring, including the consolidation of information by country, region, project type and globally, will be possible.

5 MULTIPLE SCENARIO BUDGETING

One of the proposed BPR elements was the preparation of different budgets and operational plans reflecting the different requirements if certain events occurred that would require an immediate response. Budgets would also be based upon a range of scenarios reflecting different rates per metric ton for commodity purchases, external transport, LTSH, ODOC and DSC. Donors would be informed of the ranges and reporting would be based upon the actual rates achieved.

These approaches proved to be too complex to achieve utilizing manually prepared spreadsheets, however, and have been abandoned. They are not included in the updated project planning tool for implementation in 2006.

6 REGIONAL FINANCIAL ANALYSTS

As noted earlier, regional financial analyst (RFA) posts were created in each of the six regional bureaux[11] to: (i) monitor the budgetary performance of operations within the region; (ii) analyse and make forecasts for operations; (iii) monitor and manage the cash pipeline and (iv) provide support to BPR pilot projects within the region. It is also planned that the RFAs will be involved in the eventual “roll out” of the BPR.

RFAs have played a significant role in the two regional operations – West Africa Coastal PRRO (ODD) and Southern African regional PRRO (ODJ) – in both cases assuming responsibility for the collection of information and the entry of data on the project planning spreadsheets. In the case of the remaining six country level projects the participation of the RFAs has been less direct.

The RFAs currently report administratively to the Regional Director or Deputy Regional Director and programmatically to the Operations Department (ODM). This decision was made by the Office of the Executive Director on the assumption that the primary role performed by the analysts would be support to the BPR projects, data collection and analysis rather than strictly finance and budget support. This decision was taken notwithstanding concerns raised by the Chief Financial Officer, but is subject to review in June 2006 based upon experience to date.

Arguments can, of course, be raised for reporting either to Finance or to Operations. Reporting to Finance would provide the RFA with some degree of independence and provide more direct and regular contract with the Finance Division in Rome, thereby ensuring that independent information was available to the Chief Financial Officer. As part of the finance structure a more direct relationship with country and regional finance officers would be ensured. On the other hand, the existing reporting line to the Operations Department guarantees the RFA a direct link to central operations, thus providing more participation in the ongoing development of the elements of the BPR and its successor projects.

Recommendation

Both reporting relationships have merit and need to be weighed carefully by senior management before a final decision on a possible change is made. The functional responsibilities of the RFAs vary considerably and their reporting relationships are not clearly defined. For the organization to make the best use of this new resource their reporting relationships to HQ, within the regional bureaux and to country offices need clarification, as do their responsibilities.

[11] Sudan Country Office was recently separated from the ODK regional bureau and is now considered an independent bureau, due to the size of its operations, which were forecast, in late 2005, to constitute about 25% of WFP’s global operations, in resources terms, in the 2006-2007 biennium. Thus, Sudan is now considered a seventh field bureau.

7 PROJECT CLOSURE

The Second Progress Report on the BPR[12] indicated that the BPR would reduce the size of operational closing balances using the PCA, WCF, multiple scenario budgeting and enhanced project planning and monitoring.

To date, only a few of the BPR projects have been closed and there is no conclusive evidence to determine whether the BPR elements have had any impact on efforts to reduce project balances. In 2004 two of the BPR projects were closed – China country programme - leaving a balance of 4.6 percent - and the Occupied Palestine Territory EMOP, leaving a balance of 2.8 percent. In 2005 the DR Congo PRRO used up almost all of its contribution income leaving a balance of less than 0.1 percent. These balances were lower than the average balance of 5.0 percent left on all projects at the end of 2004. Although the evidence is limited, the preliminary information indicates that closed BPR projects have smaller outstanding balances than do non-BPR projects.

Region	Project No.	Project Type	Country	Balance of Contributions	Confirmed Contribution	Unspent Balance
ODB	05652.0	Development Project	China 2004	621'711.00	13'419'540.00	4.6%
ODC	10190.0	EMOP 2004	Palestinian Territory	555'955.00	19'623'182.00	2.8%
ODK	10288.0	PRRO 2005	Democratic Republic of Congo	268’739.00	128’090’832.00	0.1%

[12] Document WFP/EB.3.2004/12-B/1, paragraph 53 and following.

8 PROJECT CASH ACCOUNT (PCA)

Full Cost Recovery (FCR) is a basic principle of WFP's resources and long-term financing policies and is incorporated into its General Rules (Rule XIII.4). FCR requires that each donor finance the full related costs of its contributions including commodities, transport, other direct costs, direct support costs and indirect support costs. FCR ensures that there are no unfunded costs and project management is enhanced by having assured funding for the costs associated with a commodity contribution. In addition, funding of the Programme Support and Administration (PSA) budget is reasonably assured through the application of a single indirect support cost (ISC) rate (currently 7 percent) to all donations. The process is transparent and all costs can be identified to specific donor contributions, either directly or through the application of rates or allocation procedures.

When FCR was implemented it was decided to control donor contributions by individual cost component. In 2003, the Secretariat reported to the EB[13] that an examination of closed project balances revealed that control of funding at the component level could contribute to unspent project balances. The report also indicated that control at the component level was complex due to changing operational requirements, differing time frames of expenditure among cost categories and varying donor conditions.

As part of the BPR, the report requested EB approval of a change that would continue the application of full cost recovery to all donations, but provide for control of individual contributions at the project rather than at the individual cost component level, unless there was an overriding donor legislative restriction. The actual breakdown of the contribution among the cost components would be based on the changing requirements of the project. This change referred to as the project cash account or "single pot" was approved by the EB.[14]

The use of the PCA was made available to the BPR Pilot Projects. The projects were authorized to pool the funds received from donor contributions to each of the components of the project and to advance funds from one component to another based upon expenditure plans.

A total of US$74.1 million was advanced using the PCA mechanism in four operations. Of this amount US$53.3 million had been repaid by 31 March 2006, leaving a balance of US$20.8 million or 28.1 percent. The funds advanced were utilized to purchase commodities (US$59.5 million) and to cover certain associated costs, i.e. transport (US$8.9 million) and other direct operational and support costs (US$5.7) million. Most of the funds were advanced from surplus (or temporarily surplus) LTSH funds (US$62.3 million) or ODOC (US$7.3 million). Details are shown in the following table:

[13] Document WFP/EB.A/2003/6-A/1.
[14] Idem, under Conclusion 5.

BPR Pilot Projects
Summary of PCA Loans
(in US dollars)

COMPONENT	ADVANCED	REPAID	OUTSTANDING
	62'277'737	44'668'745	17'608'992
LTSH	1'273'131	0	1'273'131
Commodity	2'610'949	1'435'751	1'175'198
DSC	620'243	0	620'243
External Transport	7'334'848	7'171'626	163'222
ODOC	74'116'908	53'276'122	20'840'786
Sub Total Borrowed From			
Commodity	59'491'493	46'040'347	13'451'146
External Transport	5'683'620	3'985'774	1'697'846
LTSH	3'231'794	0	3'231'794
ODOC	1'360'000	850'000	510'000
DSC	4'350'000	2'400'000	1'950'000
Sub Total Used For	74'116'907	53'276'121	20'840'786

In its reports on the BPR WCF[15] the Secretariat informed the EB that Boston Consulting Group, as part of its review of 15 projects, had studied the potential impact on the need for working capital loans of having LTSH, DSC and ODOC all in a single project cash account. The study indicated that the introduction of pooling the funds available in these project components would make sufficient funds available to project managers to reduce the need for working-capital financing by over 50 percent. This estimate was supported by PCA advances made for the Sudan (Darfur) and Democratic Republic of Congo pilot projects.

As of 31 December 2005 a total of US$185.5 million in WCF loans had been authorized and US$68.1 million (see above) had been advanced by project managers from PCA. Therefore, of a total of US$253.6 million in WCF loans and PCA advances, the PCA advances represented only 26.8 percent, significantly less than the estimate of 50 percent. Only four of the pilot projects actually utilized advances from the PCA, while eight of the nine projects took WCF loans. Ethiopia used only the PCA advance (in a modest way) and did not take a WCF loan, due in part to the ability to borrow from the Government's Food Security Reserve.

Additional guidance to project, country and regional managers on the use of the PCA appears to be necessary for PCA advances to be used to the extent estimated by BCG to offset the need for WCF loans.

[15] Document WFP/EB.1/2005-5-C, particularly paragraph 87 and following; also document WFP/EB.A/2005/6-D/1, particularly paragraph 14 and following.

Accounting for PCA

Currently, transactions related to the PCA are not recorded in WFP's financial or other information systems (WINGS, COMPAS or RMS). However, loans made from PCA are recorded on the BPR spreadsheets and subject to monthly monitoring by the Regional Bureaux. Information on the spreadsheets is submitted to ODMP and to the quarterly reviews conducted by OEDSP. The spreadsheets also provide information on actual and planned repayments as scheduled by the country office or regional bureau responsible for the project but these are not linked to individual forecast donations.

The management module of the new project planning tool (PPT) designed by ODM provides for links between forecast contributions and PCA repayments, together with information on available un-obligated balances by project component and amounts advanced from one component to another. Information on actual and obligated expenditures will be uploaded directly from the accounting system (WINGS) onto the spreadsheet, thereby reducing the possibility of errors from re-entry of the data. The linking of forecast donations to specific PCA advances (and other loans) will help to avoid the possibility of having the same donation committed to repay more than one loan or advance. The new spreadsheet will also make it much easier for periodic monitoring actions taken by field offices in connection with advances to be monitored at the regional bureau and HQ level.

ICT requirements for the expansion of WINGS to include the PCA have been completed and provide for control of PCA advances through a series of sub-accounts in which payables and receivables among the borrowing and lending cost components will be recorded. Once these changes have been fully implemented monitoring of PCA loan balances by regional bureaux and HQ (Operations Department, Finance Division, Office of Budget, etc.) will be possible on a regular basis, hopefully reducing the risk of default.

PCA Advance Details

Since the inception of the pilots, four of the projects have utilized PCA advances. Following is a detailed listing of the PCA advances made by the four pilot projects.

Internal Transfer - Single Project Account

Project	Component	Purpose	Loan	Repaid	Outstanding
DRC PRRO 10288.0	LTSH	Borrowed from	-5'200'000	3'250'000	-1'950'000
	ODOC	Borrowed for	850'000	-850'000	0
	DSC		4'350'000	-2'400'000	1'950'000
ETH PRRO 10362.0	LTSH	Borrowed from	-6'365'000	5'800'000	-565'000
	Commodity	Borrowed for	5'800'000	-5'800'000	0
	External Transport		55'000	0	55'000
	ODOC		510'000	0	510'000
ODJ PRRO 10310.0	Commodity	Borrowed from	31'320'113	-24'706'719	6'613'394
	LTSH	Borrowed for	-22'712'737	16'099'343	-6'613'394
	ODOC		-7'171'626	7'171'626	0
	DSC		-1'435'751	1'435'751	0
SDN PRRO 10339.1	LTSH	Borrowed from	-28'000'000	19'519'402	-8'480'598
	Commodity	Borrowed for	22'371'380	-15'533'628	6'837'752
	External Transport	Borrowed for	5'628'620	-3'985'774	1'642'846
SDN PRRO 10339.1	Commodity	Borrowed from	1'273'131	0	1'273'131
	ODOC	Borrowed from	163'222	0	163'222
	DSC	Borrowed from	1'175'198	0	1'175'198
	External Transport	Borrowed from	620'243	0	620'243
	LTSH	Borrowed for	3'231'794	0	3'231'794

Ethiopia PRRO 10362.0, Sudan EMOP 10339.1 and Southern Africa regional PRRO 10310.0 utilized the PCA (primarily available LTSH balances) primarily to purchase commodities.

The funds advanced by the Ethiopia PRRO 10362.0 (US$5.8 million for commodity purchases) were actually not required, as the contribution intended for the repayment was confirmed before procurement was started.

For Sudan EMOP 10339.1 (which has now been completed and consolidated into EMOP 10503.0) there may be difficulties in repayment of the PCA advances, although the situation is currently being reviewed in depth.

Southern Africa regional PRRO 10310.0 planned to repay the entire balance million on its outstanding PCA advances in the first quarter of 2006 (per the ODJ BPR spreadsheet package). Although there may be some delays, the RB indicates that ultimate repayment is feasible.

The DR Congo PRRO 10288.0 utilized its available LTSH balances to finance requirements for ODOC and DSC. This enabled the operation to avoid three months of cash shortfalls and prevent possible staff layoffs. It should be noted that such a loan could also have been made from the DSCAF, which has been established for the same purpose. The DR Congo country office has expressed concern about its ability to repay the balance of its PCA advance of US$1.95 million due to a significant reduction in anticipated donations. This reduction in donor forecasts has already resulted in a possible write-off of a balance on the WCF loans, as noted elsewhere.

PCA Guidelines

A significant issue raised in the field visits (and in telephone conversations with staff of other pilot projects not visited in person) was the lack of PCA guidelines. This may help explain the limited number of pilot projects utilizing this facility. As helpful as better guidelines may have been in the pilot stage, they will be essential if authority to make PCA advances is extended to a larger number of countries and operations. ODM has indicated that guidelines and policies are planned and that these will be much more detailed than simply providing instructions for utilizing the project planning tool in relation to the PCA.

Recommendations

- A limit should be established on the amount that can be advanced from the funds of a single operation, either as a dollar amount or as a percentage of the operation's size.
- PCA advances to purchase commodities should be subject to the same review as working capital loans.
- Advances involving the purchase of commodities should be based on full cost recovery and/or ensure funding is available to cover related transport costs.
- Internal loans for DSC and ODOC should not be approved if funding from the DSCAF is available.
- WCF or IRA loans should be granted to projects that have outstanding PCA advances only after an assessment of the overall exposure to risk and such projects should be authorized to accept external CERF loans only when covered by valid collateral.
- An order of priority for repayment needs to be established given that the operations having difficulty repaying PCA advances have also had WCF, IRA and CERF advances.

Risk Management of the PCA

The BCG completed a detailed estimate of the risks involved in the operation of the WCF. A similar detailed risk management exercise was not completed in connection with the PCA, however, notwithstanding the fact that BCG's projections indicated that PCA advances could amount to as much as US$190 million.

Since the repayment of PCA advances are financed by forecast contributions in a manner similar to those used for WCF loans, the risk is in fact similar. In addition, unlike WCF loans, which are subject to pre-screening by the Credit Committee and discussed in the regular quarterly reviews, PCA advances are not approved at Headquarters prior to their implementation, possibly making them a greater risk.

A further factor contributing to the risks posed by PCA advances is the size of amounts advanced. In the Sudan (Darfur) EMOP this amounted to US$28 million and in the Southern Africa regional PRRO US$31.7 million. These are as large as any of the WCF loans approved.

While the new project planning tool and eventual inclusion of accounting for the project cash account in WINGS will have a positive impact on risk by providing for more frequent monitoring, the problems mentioned above in connection with the repayment of advances made in the Sudan, Southern Africa and Democratic Republic of Congo projects clearly demonstrate the potential risk involved. It should also be noted that, unlike the WCF loans which are “guaranteed” by the operational reserve (at least up to the $57 million currently available), the EB has not been asked to make a similar guarantee to underwrite losses in connection with the inability of projects to repay PCA advances.

Recommendation

The Secretariat should prepare an analysis of the risks involved in the operation of the PCA and approach the EB to consider a financial provision, similar to that of the WCF, to cover potential PCA default problems.

9 WORKING CAPITAL FINANCING

Perhaps the most significant single element of the BPR (and the one by which it is best known) is the opportunity for operations to receive advance funding based upon forecast contributions. A ceiling on such loans in the amount of US$180 million was established.[16] The EB also approved an amendment to Financial Regulation 10.6 to provide financial coverage from the Operational Reserve (currently standing at US$57 million) for any shortfall which might result when a forecast contribution anticipated to be used to repay an advance did not materialize.

The concept presented to the EB was to utilize the temporary cash surplus resulting from the receipt of contributions from donors in advance of expenditures actually being incurred. This cash held in WFP’s treasury would be loaned to the eligible pilot projects based upon demonstrated need and their ability to repay the funds upon the receipt of confirmed contributions from donors. This would not be a funded reserve like the IRA or the DSCAF.

The WCF is based upon applications for advances/loans submitted by the managers of operations, including a description of the purpose of the loan and a listing of the “collateral” or specified donations forecast by FDD. The purpose of the loans has generally been to procure food to begin projects on a timely basis, prior to the confirmation of donor contributions or to avoid pipeline breaks resulting from delays in the receipt of contributions.

Once applications are received they are reviewed by OEDSP, which is administratively responsible for the WCF, and by the Operations Department. Any additional information deemed necessary is obtained from the applicant. Once this process has been completed, a meeting of the Credit Committee is scheduled. This consists of the Senior Deputy Executive Director, Director OEDSP, Chief Financial Officer, Director Change Management, Deputy Executive Director (Administration Department) and the Deputy Executive Director (Fund Raising and Communications Department). The meetings are generally scheduled within five days of the receipt of an application. The applicant is given the opportunity to make a presentation and ask questions, usually over a telephone link. The Committee makes a decision, which is immediately reported to the applicant.

BPR pilot projects participate in a quarterly review session that is based upon submission by the project of the project planning spreadsheet. The same headquarters membership as the Credit Committee attends the quarterly session, along with representatives of the project and regional finance officer, who attend by telephone link. The status of contributions, loan repayment, commodity purchases and beneficiary levels are discussed and solutions to problems identified.

[16] Document WFP/EB.1/2005/5-C/1.

Loan Summary

A total of US$185.1 million in loans had been authorized under the WCF facility from its inception in 2004 through 31 March 2006. Of this amount, US$167.6 million has been repaid leaving a balance of US$17.5 million (9.5 percent). The following table shows the loan situation:

WCF advances to Pilot Projects

Loans (as of 24 Mar 2006)

Project	Approval Date	Loan	Repaid	Outstanding
CHA CP 10050.0 ACT 1	Dec-04	$4,069,425	$4,069,425	$0
DRC PRRO 10288.0 (Loan 1)	Jun-04	4,092,555	4,092,555	0
DRC PRRO 10288.0 (Loan 2)[1]	Jan-05	15,846,928	9,644,837	6,202,091
INS PRRO 10069.1	Oct-04	4,800,000	4,800,000	0
INS SO 10498.0	Dec-05	3,000,000	3,000,000	0
NER PRRO 10509.0	Mar-06	3,599,954	0	3,599,954
ODJ PRRO 10310.0 (Loan 1)[2]	Jul-05	13,072,607	13,072,607	0
ODJ PRRO 10310.0 (Loan 2)[3]	Jul-05	21,437,851	21,437,851	0
OPT EMOP 10190.2	Jul-04	9,595,725	9,595,725	0
OPT PRRO 10387.0	Jun-05	13,198,196	13,198,196	0
SDN EMOP 10048.3	Apr-05	34,700,000	34,700,000	0
SDN EMOP 10503.0	Dec-05	25,000,000	25,000,000	0
UGA PRRO 10121.1 (Loan 1)	Jun-05	9,324,715	9,324,715	0
UGA PRRO 10121.1 (Loan 2)	Oct-05	7,745,371	7,745,371	0
WAC PRRO 10064.3 (Loan 1)	Dec-04	4,494,274	4,494,274	0
WAC PRRO 10064.3 (Loan 2)[4]	Oct-05	11,135,726	3,405,623	7,730,103
Total		**$185,113,327**	**$167,581,179**	**$17,532,148**

[1]Includes $1,307,446 carry-over from DRC Loan 1

[2]Includes $11.9M directed to Zimbabwe alone

[3]Includes $3,220,970 carry-over from non-Zimbabwe portion of ODJ Loan 1

[4]Includes $5,755,726 carry-over from WAC Loan 1

All the loans outstanding are scheduled for repayment in 2006, with the possible exception of the loan to the DR Congo PRRO 10288.0 which may not be repaid and may prove to be the first WCF default and thus a first charge against the Operational Reserve. Assuming that this transpires, the write-off of US$6.2 million would represent about 3.3 percent of the loans issued.[17] Although this is significant in dollar terms, it may be considered reasonable, given that the BPR is new to both field managers and headquarters BPR administrators.

Although these loans were primarily for the purpose of procuring commodities required to meet the needs of project beneficiaries, loans have also been made to meet demands for LTSH, ODOC and DSC. Many of the loans for commodities have been made based upon the full cost recovery principle including all related components – transport, DSC and ODOC - while others have been made solely on the basis of funds needed for commodity procurement. The summary totals by component are shown below:

[17] Although, as noted earlier, the final write-off may be lower.

WCF Loans by Component

Project	Commodity	External Transport	LTSH	ODOC	DSC	TOTAL
DRC1	3'151'267	941'288	-	-	-	4'092'555
DRC2	8'157'967	2'765'972	4'099'077	-	823'912	15'846'928
OPT(E)	7'035'960	667'790	1'179'408	78'514	634'054	9'595'726
OPT(P)	9'604'881	1'539'720	1'557'147	-	496'448	13'198'196
WAC1	2'112'309	584'256	404'485	314'599	1'078'626	4'494'275
WAC2	5'450'037	1'483'398	505'515	795'401	2'901'374	11'135'726
INS(P)	4'703'000	97'000	-	-	-	4'800'000
INS(S)	-	-	-	2'760'000	240'000	3'000'000
CHA	3'906'648	-	-	40'694	122'083	4'069'425
SDN-SETA	12'167'590	5'640'365	7'692'045	2'200'000	7'000'000	34'700'000
SDN-EMOP	-	-	25'000'000	-	-	25'000'000
UGA1	9'324'715	-	-	-	-	9'324'715
UGA2	7'745'371	-	-	-	-	7'745'371
NER	2'599'915	1'000'039	-	-	-	3'599'954
ODJ1	8'000'000	1'900'000	2'800'673	-	371'933	13'072'606
ODJ2	8'711'290	181'900	7'901'290	1'423'720	3'219'652	21'437'852
Total	**92'670'950**	**16'801'728**	**51'139'640**	**7'612'928**	**16'888'082**	**185'113'329**

Loan Approval Criteria

Information on the criteria for approval of WCF loans has not been consolidated into a manual or guide. Information has, however, been provided to Regional Directors (Regional Directors' teleconference presentation of 21 April 2005) and Regional Financial Analysts (Regional Financial Analysts Workshop presentation of 31 August 2005), as follows:

- All BPR building blocks must be in place. In the RFA presentation the preparation of accurate project planning tools and timely submission of quarterly review information was noted.
- A loan must address the timing mismatch between forecast contributions and current needs.
- No outstanding loans or commodity borrowings should exist at the time of approval. This was included in the RDs' teleconference, but in the presentation to RFAs it was indicated that WCF loans are "senior" to all other outstanding loans.
- There should be a suitable (comprehensive) rationale, including the value added to beneficiaries.
- There must be sufficient collateral to secure the loan. High probability forecast contributions are discounted at 75 percent and medium probability at 50 percent.
- Details of the repayment schedule must be provided.
- The WCF application must be signed by the Country Director (if applicable) and Regional Director.

Recommendations

- Loans should be made only on the basis of full cost recovery, so as to reduce the risk of purchasing commodities and then having insufficient resources for associated costs.
- WCF loans should be made when other loans are outstanding (IRA, DSCAF, PCA and CERF) only after a full assessment of risk and future contributions. The overall debt balance of a specific operation should be factored into the WCF loan decision. A definite sequence for the repayment of each of available advance facilities should be established.
- If PCA loans are subordinate to WCF a policy should be established for cases when a PCA loan must be repaid first to meet immediate requirements.
- Debt may be carried forward between operational phases but not to successor operations.
- Given the higher likelihood of default there should be an additional assessment of risk if funds are granted in the last few months of an operation.
- Expenditure from a WCF loan should be in accordance with the loan application and adjusted if required (i.e. if prices change) only after a full assessment similar to that undertaken for the original loan.
- Before the pilot phase is extended to additional countries or operations the BPR needs written guidelines that are understood not only by the headquarters based staff involved in loan approval but also by project managers and field operational staff.
- In the interests of transparency and accountability, a formal written record of the Credit Committee's deliberations should be maintained and circulated to concerned staff.

Risk Management

The BCG analyzed the risks inherent in the WCF based upon estimates from nine significant projects. The analysis determined that the maximum risk related to an individual project was 7 percent of the operation's total budget and for the group of projects one to two percent of their total budgets.[18]

The potential (at the time of drafting this report) write-off of the balance outstanding of US$6.2 million[19] of the WCF loan made to the DR Congo PRRO 10288.0 represents 3.1 percent of the operation's total approved budget of US$190 million and less than one percent of the total budgets of all nine pilot projects. Assuming that no further defaults take place, it appears that the risk management analysis was reasonable.

Recommendation

Now that nine pilot projects have been implemented, it is important to provide an update of the risks inherent in the process, including a detailed analysis of the experience with donation forecasting and loan repayments. This analysis should take into consideration both the PCA and WCF facilities, along with other loans provided to operations eligible for participation in the BPR.

[18] This was reported to the EB in document WFP/EB.1/2004/5-A/1, Annex II.
[19] As noted elsewhere in this report, it is understood that this outstanding balance is being further reduced.

10 DONATION FORECASTING

Both the WCF and the PCA advance funds to operations based upon the anticipated receipt of contributions which are forecast by FDD. This is a significant departure from WFP’s usual procedures, which allow expenditures to be incurred for operations only upon the receipt of written confirmation from donors.

For each of the pilot projects, staff in FDD prepared a detailed forecast of individual contributions anticipated for the project by donor and anticipated date of receipt. These contributions are classified as high, medium or low probability. All classifications and forecasts are based on the donor’s previous contributions to similar projects or to the country involved. FDD did not provide any written guidelines as to how the probability classifications are determined. It was indicated verbally, however, that high probability donation forecasts are based on a specific communication with the donor, medium probability donation forecasts are based upon more general communications and low probability donation forecasts are based on the general history of the donor’s contributions to WFP.

Forecasting Contributions: The experience of the International Committee of the Red Cross (ICRC)

The concept of utilizing forecast donations in advance of the receipt of confirmed contributions is new to the UN system. It has been utilized by the ICRC since 2002, however. The experience has proven to be successful and ICRC’s total operational budget is now financed by setting the funding available to projects based on forecast contributions.

ICRC revenue forecasts are updated monthly based upon information provided by donors and expenditure levels for the following month adjusted accordingly. The setting of expenditure levels is done through an allotment process rather than through the granting of loans or advances. This greatly simplifies the process. The process is under headquarters control and is vested in representatives of Finance, Fund Raising and Operations. In order to ensure constant updating of information and facilitate communications between HQ and the field, both the Finance Department and Fund Raising Department have out-stationed staff members in each of the regional (zone) offices. ICRC officials indicated that, in the current financial period, the variance between forecast and actual contributions had been reduced to 5-10 percent.

The ICRC is considerably smaller than WFP (its normal core income totals 900 million Swiss francs per year). The ICRC also has a number of advantages in donor contributions, compared with WFP. Its contributions are made mostly at the country programme or regional (zone) basis rather than to individual projects (or even project phases), as is the usual practice at WFP. In addition, almost all of the contributions to the ICRC are in cash and are made without restrictions as to use. There is also significant flexibility on the reallocation of unused balances.

Due to the more significant donor constraints faced by WFP, the Programme has more difficulties in forecasting donations, thus significantly increasing the risk involved in incurring expenditures based upon forecasts.

At WFP the responsibility for forecasting contributions rests with the FDD staff members, who are organized into teams which are assigned responsibilities to collect needed information on a donor-by–donor basis. FDD has a statistical unit that maintains detailed records by donor and contribution. Information on forecasting is now maintained in the Resource Mobilization System (RMS), one of the main corporate databases. The information on forecast contributions is transferred from RMS to spreadsheets and sent to BPR projects for use in updating the project planning tool. Forecast information is transmitted to project managers and the RFAs on a monthly basis.

Information provided by FDD on the results of forecasting for the operations included in the BPR (other than the China country programme, for which no forecast was prepared) show that at the time of the first forecast an average of 32.5 percent of the contributions were confirmed, improving to 55.4 percent by the time of the last forecast provided. Some 50 percent of the contributions were confirmed at an amount generally 25 percent higher than forecast, thus showing the conservative nature of the forecasting. Average results for the first, middle (of the project period) and last forecasts for all eight projects were as follows:

BUSINESS PROCESS REVIEW
Comparison of Forecast and Actual Contributions
All Pilot Projects (excluding China)

	First Forecast	Percent	Mid Range Forecast	Percent	Last Forecast	Percent
Confirmed as forecast	285'743'218	32.5%	372'339'795	42.4%	486'080'599	55.4%
Confirmed - lower amount than forecast						
10-25% variance	16'147'375	1.8%	20'172'258	2.3%	14'809'632	1.7%
>25% variance	132'518'409	15.1%	140'981'468	16.1%	198'333'969	22.6%
Total	148'665'784	16.9%	143'668'254	16.4%	213'143'601	24.3%
Confirmed - higher amount than forecast						
10-25% variance	107'622'307	12.3%	93'304'266	10.6%	74'771'830	8.5%
>25% variance	335'913'690	38.3%	251'147'213	28.6%	103'633'605	11.8%
Total	443'535'997	50.5%	344'451'479	39.2%	178'405'435	20.3%

These are average results for all eight projects. Contributions confirmed as first forecast varied from a low of 8.8 percent for the DR Congo PRRO (which was the first pilot) to a high of 73.7 percent for the Indonesia PRRO. The detailed results by project are shown in Annex II.

Since contribution forecasting is a major factor in the success of the BPR, as well as for the use of the IRA (which is a revolving as well as a replenished fund), improvements are necessary to ensure that the risk of default on the repayment of advances is maintained at a reasonable level. While the overall average may appear to be acceptable, the variances among individual operations are significant.

Discussions with staff at a number of the COs and RBs operating pilot projects revealed significant concern over the inadequate level of communication between the field implementation staff and FDD on the forecasting process, including the context in which forecasts are made and how these forecasts should be utilized, including donor conditionality.

Concern was also expressed by some field staff that FDD had made decisions to accept in-kind contributions from emerging donors without "full cost recovery," sometimes obliging the field offices to use cash for transport and distribution from other donor sources, which they may have been counting upon to repay their WCF or PCA loans.[20]

Recommendation

A more formal structure of regular communication on forecast contributions should be established with the field. The current, relatively new, practice of posting resources mobilization staff to regional bureaux (and even to some larger country offices) should be a means to ensure that a regular dialogue exists between the field offices and headquarters based resources mobilization staff.

Donor Conditionality

WFP must take into account conditions which donor governments impose as a result of their legislative or regulatory requirements. These conditions limit the opportunities for flexible use of donations to repay advances made under the BPR (or from other facilities, such as the IRA and DSCAF).

The most significant donor conditionality includes:

- Limitations on using donor contributions to finance expenditures in advance of the receipt of a contribution;
- Limitations on locations where donor-financed commodities may be purchased;
- Requirements for labelling of containers of donated commodities;
- Requirements to commit and expend funds within the donor's fiscal year.

Donor conditionality has a serious impact on the ability of project managers to utilize contributions to repay advances from all facilities – IRA, DSCAF, PCA, WCF – though the DSCAF is less affected due to the fact that it involves only contributions provided in cash. Discussions with donor representatives did not encourage much hope that these restrictions could be easily eliminated, since many are the product of donor government legislation or regulations, which are only likely to be modified gradually.

[20] FD responded to the draft of this report by clarifying that FD does not accept contributions without full cost recovery. In-kind contributions – including from emerging donors – are full cost recovery. This is achieved when a twinning donor is found or when the Emerging Donor Matching Fund is used. Both these mechanisms provide the necessary cash for the associated costs to be met. It is part of WFP's fund raising policy to seek new donors, in order to broaden the donor base. FD believes that the issue is not the policy or principle but the lack of understanding by some staff that is an issue and FD recognizes that it needs to address this issue of better communication.

In the discussions with donors undertaken by the evaluation team, most donors were aware of what WFP needs to make its work in general and the BPR process as effective as possible, including:

- maximum flexibility (non-directed “fully multilateral” contributions);
- early notification of contributions;
- cash contributions to improve programming flexibility and enhance the use of regional and local purchases;
- minimal conditions;
- standardized reporting requirements;
- possibility to re-programme unutilized resources to new operations.

Several key donors emphasized the following constraints:

- their own legal and policy realities;
- the complexity of their budget approval processes;
- the magnitude and importance of possible alternative uses for these funds;
- the need by some donors for field authentication of WFP’s assessment of emergency needs;
- own publicity (including container markings) to maintain popular support at home.

There seems little likelihood of major short or medium term improvements in donor conditionality or significant changes in the manner in which donor resources are conveyed to WFP, with the exception of a few donors whose total contribution accounts for about six percent of total contributions.

Recommendation

A matrix of donor conditions should be developed by FDD and regularly up-dated, so that contributions may be graded according to the ability of the Programme to utilize the donations for the repayment of loans or advances. Such a matrix would also enable field staff to better understand donor conditionality.

11 OTHER ADVANCE FACILITIES

Two WFP facilities have existed for many years, prior to the initiation of the BPR, to provide advances to projects, namely the IRA and the DSCAF. These facilities have purposes that are similar to the WCF and PCA.

The IRA was established pursuant to Financial Regulation 4.3. Its purposes are:

- to address the needs of relief (EMOP/PRRO/SO) operations;
- as a funding mechanism for immediate response emergency operations (IR-EMOPs);
- for specific disaster preparedness activities.

The IRA is administered by the Operations Department which is solely responsible for the allocation of IRA resources. Country Directors are authorized to approve an Immediate Response Emergency Operation (IR-EMOP) up to US$500,000 under delegated authority.

The **Immediate Response Account (IRA)** was established by WFP in 1991, within the context of the International Emergency Food Reserve (IEFR), as a flexible resource (cash) facility to enable WFP to respond quickly to emergency situations, while appeals and formal donation forecasts are under preparation. The IRA has proven its utility in a large number of sudden onset humanitarian relief operations since that time. In recognition of this and of expanding needs, the Executive Board endorsed the increase of the IRA target level to a minimum of US$70 million at its October 2004 session.[21]

The target level should be maintained by repayment of advances made for eligible operations and by annual replenishment contributions from donors. Thus, the IRA is both a revolving and a replenished fund. Besides specific annual contributions from donors, with donor agreement WFP may replenish the IRA with unspent balances of contributions to EMOPs, PRROs and SOs and with insurance recoveries from the WFP insurance fund and insurers. Interest earned on bilateral contributions may also be credited to the IRA.

With a view to increasing the level of resources available to the IRA, donors are encouraged, inter alia, to agree to revolve the IRA with directed contributions confirmed for a specific operation that has received an IRA allocation, even if the contribution has been confirmed after the IRA allocation was made.

IRA allocations may be made for both non life-threatening and life-threatening situations. In the case of the former, the allocation of IRA funds is subject to a clear indication from FDD of forecast cash contributions that can revolve the IRA and the advance should be revolved with the first cash contributions earmarked for the operation or activity. For life-threatening situations, the decision to allocate IRA funds will not necessarily be subject to the level of projected cash contributions and the revolving will take place only if it does not lead to a critical break in the pipeline.

[21] New donor contributions (replenishments) to the IRA have been rather low over the past nine years and have averaged only some US$18 million a year in this period, according to figures in the February 2006 edition of the WFP “Yellow Pages”.

As both the IRA and the BPR Working Capital Financing (WCF) are WFP mechanisms for advance funding, it is recommended to use the IRA only if the operation has not implemented the BPR or has no formally approved contribution forecast or if forecast contributions are not sufficient to qualify for WCF and the resulting situation would lead to a life-threatening situation for beneficiaries. If a Contribution Forecast is available, collateral for the IRA and WCF repayments must be uniquely identified at the time of the request. Decisions to allocate further advance funding will consider outstanding IRA and WCF loans. In principle, repayment of WCF takes precedence over repayment of an IRA allocation.[22]

The **Direct Support Cost Advance Facility** was established by the EB in 1999[23], initially in response to the need for temporary financing to cover the change of certain expenditures previously financed from the Programme Support and Administration (PSA) Budget. This initial use was subsequently extended to meet the requirements of projects requiring funds to cover DSC to start-up an operation prior to the receipt of the initial confirmed contributions. The DSCAF is administered by the Office of Budget (OEDB).

It would appear that operations which used WCF and PCA advances (excluding the China country programme) could have been eligible for a loan from the IRA or DSCAF, if sufficient funds had been available.

As at the end of February 2006, the IRA had an operational balance available of only US$15.6 million, compared to the target level of US$70 million. Of the US$60 million allocated in the DSCAF, US$47.0 million was actually available. Details were as follows:

FACILITY	EB Authorized or target level (US$ millions)	Potential Cash Resources (US$ millions)	Available at 28 February 2006	Description
IRA	70.0	70.0	15.6	Revolving fund repaid from confirmed contributions to operations and replenished on an annual basis by new donor contributions.
DSCAF	60.0	60.0	47.0	Revolving facility repaid from confirmed contributions.
PCA	0.0	0.0	0.0	Revolving facility repaid from confirmed contributions with no guarantee.
WCF	180.0	57.0	57.0	Revolving facility repaid from confirmed contributions with potential defaults covered by Operational Reserve.
Total	**310.0**	**187.0**	**119.6**	

Note – US$57 million shown as potential cash resources for the WCF represents the balance in the Operational Reserve.

22 The text on the IRA section of this box is largely based on the Operations Department and Administration Department Joint Directive on “Policies and Procedures for the Use of the Immediate Response Account (IRA)”. Directive number OD2005/005 and AD2005/009 dated 18 October 2005, which supersedes Directives ED/98/007 and ED/99/005.

23 Document WFP/EB.1/99/4-B.

Assuming that the WCF and PCA are approved for the longer term, WFP should determine whether there is added value in maintaining four distinct facilities, all authorized to advance funds to projects for somewhat similar purposes.

For example, while most of the WCF loans were utilized primarily for the purchase of commodities, all except the China and Uganda advances included allocations for DSC and ODOC (totalling US$26.7 million and US$5.7 million of the PCA advances, respectively). These advances could have been made from the DSCAF, which had funds available.

External Loan Facility – UN Central Emergency Response Fund (CERF)

In addition to WFP's own internal loan facilities, WFP may also access grants or loans from the UN Central Emergency Response Fund (CERF), which is managed by the UN Under Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator (the "Coordinator"). This facility has recently (December 2005) undergone a transformation from being a revolving loan fund to now being primarily a replenishment fund providing grants. Guidelines for its use are currently being finalized, after which internal guidelines are expected to be developed by WFP on how the Programme's operational managers may apply for the new CERF loans or grants.

The **United Nations Central Emergency Revolving (now Response) Fund (CERF)** was established in 1991 as a loan facility available to operational organizations of the UN (including WFP) to help them ensure a rapid and coordinated response to emergencies. The CERF was established with a US$50 million ceiling. Loans are reimbursed from voluntary contributions made as a response to a United Nations Consolidated Appeal.

In December 2005, the General Assembly voted to add a grant element to make resources available for humanitarian crises (including those designated as "under-funded emergencies") and set an overall funding target for the CERF of US$500 million. Of this total, the revolving element remains at US$50 million and the grant element is intended to grow to US$450 million, to be financed from member contributions.

Requests for funds are to come from UN member field offices assisted by the resident UN Country Team, A maximum grant per emergency has been set, in principle, at US$30 million. Priorities in determining which among numerous applicants will receive grants are the responsibility of the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator. The Coordinator is charged with initiating the process leading to establishing which situations qualify as "under-funded emergencies."

The impact on the BPR (and other WFP internal lending facilities) caused by the emergence of a greatly enlarged and mostly grant-based CERF is difficult to determine at this point. A preliminary draft document, describing how the enlarged CERF will operate, was circulated for discussion in early February 2006.

Use of Different Loan Facilities

The multiplicity of facilities and apparent overlapping of intended uses has resulted in some confusion expressed by a number of field managers as to which facility should be utilized for a particular purpose. Also, no easily accessible central register of loans is available on a consolidated spreadsheet for each of the BPR pilot projects. It seems that , at the time of writing this report, there is no single unit responsible for screening requests for advances and referring them to the most appropriate source.[24]

Some of the features of the BPR, such as the inter-departmental Credit Committee and quarterly reviews, might benefit the non-BPR facilities such as the IRA and DSCAF.

WCF and PCA loans have been made to projects with both IRA and DSCAF loans outstanding, including loans from the UN Central Emergency Response Fund (CERF), as follows:

Non BPR loans to BPR Pilot Projects

Project	Approval Date	Loan	Repaid	Outstanding
Other Loans				
ODJ PRRO 10310.0 IRA	Dec. 04	6'262'960	0	6'262'960
ODJ PRRO 10310.0 CERF	Nov. 04	4'953'939	4'953'939	0
ODJ PRRO 10310.0 DSC ADV	Dec. 04	1'000'460	1'000'460	0
SUB TOTAL ODJ		12'217'359	5'954'399	6'262'960
SDN EMOP 10048.3 DSC ADV	Jan. 05	15'232'550	15'232'550	0
SDN EMOP 10339.1 IRA	Jan. 05	37'301'234	28'877'165	8'424'069
TOTAL OTHER LOANS		**64'751'143**	**50'064'114**	**14'687'029**

Note – The $8.4 million outstanding IRA loan for the Sudan EMOP 10339.1 is to be written-off, according to information provided by the country office and confirmed by ODMP.

The consolidation of administrative responsibilities in ODM should provide an opportunity for better coordination, but inter-divisional input will be necessary to provide maximum benefit in risk management.

Recommendations

Assuming that the BPR is to become more than a pilot programme, it will be important to consider whether there are advantages to maintaining separate internal loan facilities with different approval authorities and different financial guarantees.

If the BPR is rolled out to more countries and operations, it may also be useful to consider whether the IRA should be reserved for new sudden onset emergencies and for longer-running "forgotten emergencies", the latter as grants.

[24] It is understood that a new Directive is to be issued on this topic, however.

WFP might also consider whether current arrangements of allowing individual operational managers to apply directly for CERF grant and loan facilities is appropriate, or whether such applications should be reviewed at the corporate level to establish priorities among different operational needs, based upon the availability of resources and in order to evaluate risk.

12 BENEFITS

The progress reports provided to the EB on the benefits stemming from the BPR have included statistics on additional beneficiaries served on time and savings generated through commodity procurement at lower cost.

The Second Progress Report on the BPR[25] indicated that a system to monitor progress in achieving the BPR objectives of increasing on-time availability of food aid and ensuring full utilization of resources was being put in place in WFP. On time availability was to be monitored by measuring the percentage of distribution targets reached and the stability of food arrivals in-country.

Each of the progress reports provided to the Executive Board on the benefits stemming from the BPR programme has included statistics on additional beneficiaries served and savings generated through commodity procurement at lower cost. The latest information presented at EB.1 in February 2006 was as follows[26]:

PROJECT	Beneficiaries	Direct Savings	Reason for Savings	Percent of 2005 Income Financed by Loans
DRC	1,000,000	$ 1.5 million	Lower transport	31%
Indonesia	170,000	None		11%
OPT	90,000	None		41%
WAC	670,000	None		11%
China	540,000	None		96%
South Sudan	350,000	None		21%
ODJ	4,500,000	$ 6.1 million	Lower Commodity Price	14%
Uganda	850,000	$12.8 million	Lower Commodity and Transport	13%
TOTAL	8,170,000	$20.4 million		

The approach utilized in determining the number of additional beneficiaries provided with food aid on time was to as follows:

a. The amount of the WCF loan is divided by the budgeted cost for the projected tonnage resulting in a calculated number of metric tons (MT) enabled by the WCF loan

b. The resulting MT enabled by the WCF loan is divided by the total actual MT distributed in the quarter(s) in which the WCF loan was utilized. This results in a percentage of MT benefiting from the WCF loan

c. The resulting percentage of MT benefiting from the WCF loan is multiplied by the actual number of project beneficiaries to arrive at the number benefiting from the WCF loan

Benefits related to advances made from the PCA are not included in the calculations.

25 Document WFP/EB.3/2004/12.B/1.

26 Document WFP/EB.1/2006/6-F.

The amounts shown for commodity procurement represent information provided by the three regional bureaux involved. Slightly different approaches appear to have been utilized in developing the information.

The calculations made in the case of the DR Congo PRRO compare the value of commodities purchased locally to similar costs of commodities procured internationally including external transport. The figures for Uganda PRRO represent a comparison between costs at the budgeted rate per metric ton and actual purchase price, both figures including transport.

These calculations have been made by OEDSP at headquarters, with limited involvement of the pilot project RBs or COs. Based upon the field visits and telephone conversations with managers of the pilot projects, the evaluation team understood that there was no standard methodology created to track the benefits that can reasonably be credited to the existence of the BPR, either statistical information on additional beneficiaries assisted, beneficiaries served on a more timely basis or information on savings generated by the ability to acquire commodities at lower cost due to earlier availability of funds, at a time when local or regional market prices may be more favourable.

Information about commodity procurement made from funds provided through BPR or PCA advances is not tracked in WINGS, as these actions are overwritten when the loan is repaid using a confirmed contribution. This makes calculation of cost saving benefits problematic.

Proposed New Methodology

The Evaluation team suggests WFP consideration of an alternate methodology to verify the benefits from BPR. A proposed methodology is explained in detail in Annex I.

The evaluation team believes that the methodology described in Annex I, although open to further refinement, and which was developed for this evaluation may give a more accurate measure of the actual benefits since:

- It ensures the food ordered with BPR advances actually arrived in the country;
- It ensures there was a verifiable pipeline gap in the country at the time of arrival;
- It annualizes the results – so as to reflect additional annual beneficiaries;
- It differentiates by commodity.

Quantifying the Benefits: Additional Beneficiaries Fed

The table below shows the estimated number of additional beneficiaries that benefited due the ability to lend resources to the operation, based upon the methodology developed for the evaluation. This analysis covers three of the nine pilot projects.

ADDITIONAL ANNUAL BENEFICIARIES REACHED	SOUTH AFRICAN PRRO	UGANDA PRRO	WEST AFRICAN COASTAL PRRO
MAIZE	1,057,700	485,600	-
MAIZEMEAL	107,800	-	-
CSB	23,000	24,100	76,800
PULSES	646,900	102,800	42,600
VEGOIL	100,700	38,400	105,800
SUGAR	200	-	3,200
SALT	-	4,200	23,600
BULGUR WHEAT	-	-	150,200
WEIGHTED AVERAGE	800,700	484,900	119,300
IN % OF TOTAL OPERATION	30%	20%	18%

For the Southern Africa PRRO the number of additional beneficiaries reached with full rations would have been 800,700. This corresponds roughly to a 30 percent increase in the average actual beneficiary count of the PRRO during 2005.

Using the same methodology, the number of additional beneficiaries for the Uganda PRRO is 484,900. This represents an additional 20 percent of the total average monthly actual beneficiary count during 2005. For the Western African Coastal the number of additional beneficiaries – 119,300 - represents a 18 percent increase in beneficiaries served.

While these numbers are lower than those estimated using the methodology in the BPR progress reports, they confirm (using a different methodology)[27] that the BPR has made a true difference in beneficiary lives and improved WFP's operations.

Quantifying the Benefits: Cost Savings due to the BPR

To calculate potential savings on commodity purchases and transport due to better timing, two dimensions were analyzed by the evaluation team for the major commodities:

- Did the commodity price differ significantly between the actual Purchase Order (PO) date and the one at the time of the confirmation of the contribution used as collateral? If so, what were the resulting savings (or higher spending) over the entire tonnage for that commodity? This analysis was done separately for each Purchase Requisition and associated PO.
- Did the changed timing of the purchase enable the project to purchase locally, instead of regionally or internationally, resulting in savings in transport costs?

[27] A significant difference between the OEDSP methodology and the BPR evaluation team's methodology is that OEDSP bases its calculations on a per loan approach. Thus, the same beneficiary may be assisted twice or three times during an operation if she/he is a beneficiary of two or three loan actions, using the OEDSP methodology.

The results of this analysis produced lower savings estimates than were reported in the progress reports:

- For the Southern Africa regional PRRO, the savings for maize and maize meal are estimated to amount to US$3.2 million over the course of the project to date. As maize represents over 80percent of the overall BPR purchases in US$ terms, this figure is likely to capture most of savings. These were largely achieved by buying at a more opportune time, in many instances closer to the harvest. There were no indications that there were significant savings in associated costs. This compares to the US$6.1 million included in the BPR progress reports.
- For the Uganda PRRO, savings on maize purchased were estimated by the evaluation team at around US$890,000, primarily due to purchasing at an optimal time, in terms of price considerations. Again, maize covers a significant share (86 percent) of all BPR purchases. The analysis may be biased due to WFP's market power in Uganda. WFP buys a large percentage of the surplus of maize sold in the local market and, in fact, has become the biggest buyer. It could be argued that prices may move as a function of WFP's regular demand. The main difference between the savings reported in the BPR progress reports and the savings calculated by the evaluation team is that the evaluation team concluded that the maize would have been purchased locally in any case, regardless of whether there was a BPR loan or not, and that, therefore, no ocean and overland transport costs would have been saved. This compares to the US$12.8 million savings estimate in the BPR progress reports, which was erroneously premised on an overseas purchase of maize, with associated ocean and overland transport costs.

Although the estimated savings using this evaluation methodology are lower than reported in the BPR progress reports, they do substantiate that the availability of BPR loans has enabled these pilot projects to achieve significant cost savings in commodity procurement.

The fact that the estimated cost savings are lower in the above analysis does not reduce the evaluation team's overall positive judgment of BPR as a success. BPR was not created to reduce costs, but to deliver and distribute food to beneficiaries in a more timely manner. Savings on commodity and other costs may be an additional benefit.

Recommendations

For future reporting to the EB, the methodology utilised to calculate the number of WFP food recipients benefiting from the availability of BPR financing should be modified, either as proposed in this evaluation or by utilizing an alternative approach that takes into consideration the above factors.

The collection of data should be the primary responsibility of the country office or regional bureau responsible for the operation, subject to verification by ODM, and built into the project planning tool.

13 CONCLUSION

The evaluation of the nine pilot projects has indicated that the principal elements of the BPR – advances to projects based on donation forecasting and improved tools for project management and budgeting – have demonstrated that they can assist projects in better using resources and increasing the number of beneficiaries served on a timely basis. The increase in beneficiaries reached on a timely basis is significant and justifies the efforts undertaken thus far in the BPR implementation.

The evaluation identified a number of issues which should be resolved before the number of countries or operations eligible for participation in the BPR is increased. These include the need for:

- Written guidelines and policies for each of the loan/advance facilities – WCF and PCA - along with additional information on other existing loan facilities (IRA, DSCAF and CERF) – that can assist project managers in determining the most effective approach to use in providing advance financing. The guidelines should include clarification on the levels of total debt a project can accumulate and the authority to make PCA advances or apply for WCF loans if other internal WFP advance facilities or the CERF have already been utilized.

- An update of the corporate risk analysis for the WCF and a new analysis for the PCA, to provide assurance to the Secretariat and EB that existing levels of financing are sufficient to manage any potential default.

- Improvements to the donation forecasting information provided to project managers, particularly with regard to donor conditionality and the potential of conditions to impact on the usefulness of contributions in repaying loans. This should be accompanied by improved two way communication between field operational managers and the staff of FDD.

- An improved methodology to obtain more reliable information on the effectiveness of the BPR to increase the number of beneficiaries served on a timely basis and to generate savings in the cost of commodities and transport. The methodology developed should provide for information collected by the projects involved using a standard approach, along with full documentation of data collected.

Before expanding the BPR the Secretariat should carefully consider the number of projects that can reasonably be managed. The continued use of spreadsheet based information (until WINGS II is fully operational in 2008) needs to be considered carefully along with the ability of the Credit Committee, OEDSP and ODM to adequately review loan applications and handle quarterly reviews if the number of projects is expanded significantly.

Annexes

Annex I

METHODOLOGY UTILIZED BY EVALUATION TEAM TO ESTIMATE THE NUMBER OF BENEFICIARIES SERVED DUE TO THE AVAILABILITY OF THE BPR ADVANCE AND LOAN FACILITIES

- All PRs that were issued using funds for each WCF and PCA loan have been identified and checked to determine whether POs were actually placed.
- The date when the PR was issued was compared to the date when the donor contribution serving as collateral was confirmed in RMS. The lag between the dates represents the number of days WFP was able to procure early due to the loan facility. This time period is the time in which WFP possibly avoided a pipeline break.
- If there were less than 15 days between the loan approval and confirmation of the donor contribution, the PR was excluded from consideration.
- For each of the PRs identified in the above manner, the arrival date of the first SI in the country of destination was retrieved from COMPAS.
- The overall inventory for the commodity ordered before the in-country arrival of the commodities procured using the WCF or PCA loans was examined to make certain that it was not higher than the demand for the upcoming months. This check ensures that the food was not merely a safety cushion, and unlikely to have fed additional beneficiaries. Only if the warehouses were close to being depleted at the time the delivery arrived, can we assume that the food responded to an immediate need.
- If the tonnage delivered was actually required, it was divided by the average number of feeding days for the programme to annualize the figures.
- Finally the tonnage each commodity was divided by the average ration size to estimate the number of beneficiaries likely to have been fed for an entire year in a timely manner. The result represents the number of additional beneficiaries fed on time due to PR/PO financed with BPR WCF or PCA loans.

There are certain shortcomings with the methodology described above, which are inevitable given the need to keep the calculations manageable. It is felt that they do not have a material effect on the outcome that would be substantial enough to bias the results in a major way.

- The calculations show how many rations WFP would not have been able to distribute had it not been able to access the BPR loans. It then annualizes those numbers, thus calculating the number of beneficiaries that could not have been fed on time were it not for the loans. In reality, the BPR food may have benefited twice the number of beneficiaries, supplying them with half their rations, or ten times the beneficiaries supplying them with 10 percent of their rations. It is impossible to track what specific beneficiary was fed with the food procured from BPR. The most relevant number is therefore the number of additional beneficiaries fed on time assuming the food is used to hand out full annual rations.
- Another argument that has been advanced against the methodology used is that if food had procured later (when the contribution was confirmed), WFP could still have distributed it at that later point in time. While this is true, WFP would not have fed the same or other targeted beneficiaries in the months before during the pipeline break. Beneficiaries are

targeted. They are not interchangeable. The above argument assumes if WFP neglects to feed beneficiary A in January, it can make up for it by feeding beneficiary A or (worse) beneficiary B in August.

- Most commodities arrived in-country in several shipments. For sake of simplicity, the first shipment arrival was used and the remainder of merchandise was assumed to arrive over subsequent weeks. Assuming that the demand to meet distribution requirements was relatively even, this should not have created any major distortion.
- In-country warehouse inventory levels at the end-of month were used, though some of the commodities may have arrived in-country slightly later.
- The methodology assumes that had the project been able to place a PR once the contribution was confirmed, it would have purchased under the same terms and conditions and that the lead time for delivery to country would have been comparable. While this is unlikely to always be valid, on average any resulting inaccuracy should cancel out.
- An average ration based on the ration table supplied for the country in question was used when calculating the additional tonnage made available for distribution to beneficiaries. In reality the food bought with loaned money may have been used for activities with rations differing from the average. However, the inaccuracies driven by this generalization should generally cancel out across a large number of PRs.
- Rounding was used in several instances. The effects should be minor and again cancel out in the aggregate.
- The tonnage delivered was not counted when the country had sufficient stock of that commodity at the time of arrival though it makes sense to order early in order to have a safety stock or take advantage of better prices. This approach has also not lowered the additional beneficiary count significantly.

Finally, the fact that food was made available to partners for distribution does not always mean that it reached beneficiaries in a timely manner. Operational constraints sometimes impact on the final leg of the delivery chain.

Annex II – SUMMARY OF FORECAST DONATIONS

	WAC %	DRC %	OPT %	INS %	UGA %	SDN %	ODJ %	ETH %	Average%
Reference point: 1st Forecast									
Confirmed as forecast	35.6%	8.8%	64.1%	73.7%	20.8%	36.6%	17.7%	41.3%	46.7%
Confirmed with a lower amount than forecast									
10-25% variance	1.0%	0.0%	0.0%	0.7%	7.6%	0.5%	4.4%	0.0%	2.6%
>25% variance	2.9%	28.0%	0.0%	13.6%	14.1%	28.1%	6.7%	8.3%	21.7%
Total	3.9%	28.0%	0.0%	14.3%	21.7%	28.5%	11.1%	8.3%	24.3%
Confirmed with a higher amount than forecast									
10-25% variance	1.2%	2.8%	0.0%	0.0%	8.2%	28.1%	0.0%	12.8%	17.6%
>25% variance	59.3%	60.3%	35.9%	12.0%	49.3%	6.7%	71.2%	37.6%	54.9%
Total	60.5%	63.1%	35.9%	12.0%	57.5%	34.8%	71.2%	50.4%	72.5%
Reference point: Mid-range Forecast									
Confirmed as forecast	37.1%	56.9%	64.1%	70.7%	23.7%	37.8%	38.9%	49.8%	60.9%
Confirmed with a lower amount than forecast									
10-25% variance	6.6%	15.6%	20.3%	0.7%	7.6%	0.3%	0.3%	0.0%	3.3%
>25% variance	13.2%	17.9%	0.0%	9.2%	16.8%	25.9%	13.4%	8.3%	23.1%
Total	19.8%	0.0%	20.3%	0.0%	24.4%	26.3%	13.7%	8.3%	23.5%
Confirmed with a higher amount than forecast									
10-25% variance	0.0%	2.8%	0.0%	19.5%	10.0%	28.5%	0.0%	1.5%	15.3%
>25% variance	43.1%	6.8%	15.6%	0.0%	41.9%	7.4%	47.4%	40.4%	41.1%
Total	43.1%	9.7%	15.6%	19.5%	51.8%	35.9%	47.4%	41.9%	56.3%
Reference point: Last Forecast									
Confirmed as forecast	39.7%	39.6%	64.1%	88.4%	47.6%	61.0%	56.3%	49.8%	79.5%
Confirmed with a lower amount than forecast									
10-25% variance	6.6%	15.6%	0.0%	0.7%	7.6%	0.0%	0.0%	0.0%	2.4%
>25% variance	26.2%	17.9%	0.0%	0.0%	16.2%	15.3%	18.7%	44.7%	32.4%
Total	32.9%	33.4%	0.0%	0.7%	23.9%	15.3%	18.7%	44.7%	34.8%
Confirmed with a higher amount than forecast									
10-25% variance	0.0%	2.8%	0.0%	0.0%	15.7%	23.0%	0.2%	0.7%	12.2%
>25% variance	27.4%	24.1%	35.9%	9.9%	12.9%	0.7%	24.9%	4.7%	16.9%
Total	27.4%	26.9%	35.9%	9.9%	28.5%	23.7%	25.0%	5.4%	29.2%

Annex III – Southern Africa regional case study – PRRO 10310.0

III.1. Regional context

III.1.1. Original project data:

Tonnage of food:	656,573
Value in US$:	404,468,966
Number of beneficiaries:	5,534,000
Duration:	36 months
Justification:	Chronic poverty, food insecurity and HIV/AIDS
Approved:	EB October 2004

There have been five budget revisions since approval, with the current budget set at 1,177,083 tons of food and US$637,232,606 in value.

With these budget revisions the total peak beneficiary target has been set at 9,286,076 for January 2006, and an average throughout the three year period of 4,420,622 beneficiaries.

The regional operation now covers seven countries, as follows: Lesotho, Malawi, Mozambique, Namibia (as of early 2006), Swaziland, Zambia and Zimbabwe. Zimbabwe and Malawi are the largest recipients of relief assistance.

III.1.2. WCF loans:

1 July 05:	$ 4,393,577[1] (LTSH and DSC)
1 July 05:	$ 11,900,000 (Commodities, external transport, LTSH)
10 August 05:	$ 18,216,881 (Commodities, ext. transport, LTSH, DSC, ODOC)
Total	$ 34,510,458

All WCF loans have been repaid, but there external borrowings from the IRA and PCA are outstanding, as follows:

Nov 04:	$ 4.9 million
Dec 04:	9.7 ”
Apr 05:	5.6 ”
Jun 05:	1.52 ”
Sep 05:	7.2 ”
Oct 05:	17.0 ”
Total	45.92 ”

Of which $ 14.92 million has been repaid, leaving $31 million outstanding.

[1] All $ figures in this report are for US dollars.

IIII.1.3. Food security situation in the region preceding the current PRRO

Although the southern Africa region experiences periodic droughts, these have generally been localized and dealt with on a country-specific basis. In 1992/93 a regional approach was deemed necessary, however, due to the gravity of the drought, its wide extent and the need to develop a single logistics distribution plan. A centralized coordinating function was also considered necessary.

The next serious crisis occurred a decade later, in 2002, when WFP approved a regional EMOP for nine months, later extended to twelve months, from July 2002 to June 2003. This emergency was followed by a more protracted crisis, caused by a combination of factors, both natural and man-made, such as HIV/AIDS and the economic crisis in Zimbabwe. This led to another EMOP (10290) covering the period July 2003 – December 2004.

The current PRRO (10310.0), which started in January 2005, was approved by the EB in October 2004 for a period of three years and absorbed the carry-over stocks (58,265 tons) remaining from the preceding EM OP. As a matter of comparison, but bearing in mind that the current PRRO is programmed over a three year period, the figures for the three relief operations mentioned above are as follows:

	1992/93	2002/03	2003/04
Beneficiary target	7,800,000	10,260,000	6,545,900
Tonnage committed	845,392	992,459	752,280
Tonnage distributed	709,451	753,816	660,823
Cost	$ 356,835,848	507,273,091	460,008,478

Although there is no data to show how far contributions and deliveries of food aid were made in time to be effective in reaching the beneficiaries in the 1992/93 operation, WFP already at that time resorted to borrowing to meet its commitments to the affected populations. It drew $5 million from the IRA and $20 million from the CERF, the latter managed by the UN's Emergency Relief Coordinator. In addition, there was considerable World Bank concessional funding to facilitate commercial food imports, particularly for Zambia and Zimbabwe. It can be reasonably assumed that such advance financing *could have had* an immediate and positive effect on the timely delivery of assistance and its effective distribution. The WFP evaluation of that operation concluded, however, that the bulk of the food aid arrived only *after* the first few months of the emergency. This pointed to a delivery problem, despite access to funding, which ranged from delays in announcing contributions to inadequate distribution capacity and shortage of food in sufficient quantities for local procurement.

The **2002/03 EMOP (July 2002 - June 2003)** used a loan from CERF for some non-food procurement and $5 million from IRA (part of which was spent on the Regional Management Response Coordination Unit). Its record of donor response to appeals suggests a rather slow reaction to the crisis. It took four months for the target in dollar and tonnage terms to reach 50 percent and eight months to go up to the level of 90 percent in terms of tonnage, at which time it was only 77 percent in dollar terms (suggesting lower than anticipated commodity prices and possible shortages of cash for LTSH, DSC and ODOC).

Bearing in mind that management, logistics and distribution capacity were severely strained and thus affected performance, monthly distribution of food aid (on a tonnage basis) lagged well behind targets, with 25 percent in July 2002, 27 percent in August, 35 percent in September, reaching 53 percent in December, just before the critical ‘hungry’ period, which normally starts in January and ends in April, with the new harvest. By this time (lean season), distributions attained 80 percent of targeted quantities.

As far as beneficiary figures are concerned, the picture looks similar, with 54 percent of the target population being reached in October 2002, 62 percent in December, and 97 percent in January 2003, with this high level being maintained through April (at 103 percent that month, or in excess of target). At the individual country level, only Malawi reached its beneficiary target of nearly 100 percent by November, with Zambia showing 45 percent, and Zimbabwe only 30 percent. Even if logistics problems, issues of genetically modified organisms (GMO) and other constraints had a significant role in this slow start to this intervention, advance funding could have improved performance.

Perhaps some measure of positive effect of early availability of resources can be gleaned from the examination of performance of the next phase of the WFP emergency intervention (**EMOP 10290 – July 2003/December 2004**) which had the benefit of a substantial (213,905 tons) carry-over from the previous operation, and the largely cash composition of the donor pledges. Approved in June 2003, distributions started in July at 68 percent of target in tonnage terms, stayed between 60 percent and 70 percent until March 2004 when they reached 76 percent and were maintained at levels around 70 to 80 percent until August.

In looking at beneficiary targets, 61 percent were reached already in July 2003 and the numbers steadily increased to 96 percent in December, to hover around 80 – 90 percent during the critical lean season, until May when distributions tailed off to levels below 50 percent. What this analysis suggests is that the seasonality of stress and food aid demand was well respected, and had there been need for advance funding this is precisely the result ODJ would have liked to achieve. Quite likely better figures would have been achieved without the constraints in logistics and other areas referred to earlier. The carry-over stocks from the earlier operation effectively served the purpose of WCF.

PRRO 10310 – January 2005 to December 2007 was approved to consolidate achievements of the emergency phase and respond on evidence of a disturbing nutritional and economic situation in the region. Starting with a carry-over stock of 58,265 tons, the operation took off at 50 percent of the target distribution rate in January 2005 to go up to 75 percent in February and March (height of the lean season), but drop to 25 percent in April and May, which suggested a drop in availability of commodities. Distributions picked up in October, with deliveries to the PRRO reaching 56 percent of the target for that month. Deliveries improved further in November and December with the result that distributions attained 69 percent and 84 percent respectively of targets. The delivery rate is also reflected in the number of beneficiaries reached which was 3,997,554 in the 3rd Quarter 0f 2005 and 7,630,007 in the 4th Quarter. It was expected to be as high as 9,286,075 in the 1st Quarter of 2006.

ODJ procurements locally, between July and November 2005, totaled 318,375 tons at a cost of $60,560,000 which suggests a close correlation between loans obtained between June and October that year. How far the effect is directly due to availability of resources is a matter of conjecture (see III.6.3. below), but at least on the cost front, WFP appears to have taken some advantage of prices (for white maize) ranging between $86 per ton in June and $99 per ton in August, when it bought 108,895 tons. However, it purchased a quantity of 236,165 tons in the succeeding three months when prices ranged between $122 and 137 per ton. While it is true that prices went up still further in December (to $174 per ton), this is the beginning of the hungry season when markets may offer little until the next harvest in April.

Preliminary analysis of each of the purchase orders that were placed with borrowed money (either WCF or PCA) shows that the Regional Bureau was able to save $3.2 million in 2005 on maize purchases, due to its ability to procure food locally and regionally at a time when prices were lower than they would have been at the time when the actual contributions were confirmed. This figure refers only to maize, but maize represents over 80 percent of the $ amount of the loans used during the time frame inspected. One example may illustrate this: a Purchase Requisition for 25,000 tons of maize was issued on 21 October 2005 for Zimbabwe, based on a loan covered by a UK contribution as collateral. That contribution was confirmed on 12 December 2005. In the meantime the maize price had increased by 16 percent. Savings on this order alone could be estimated at over $600,000.

The overall savings estimate of $3.2 million can be compared with the savings of $6.1 million given in the EB paper WFP/EB.1/2006/6-F, where savings are based on comparison of actual cost with the initial budget calculation when submitting the PRRO for approval. The latter methodology is based on a long-term average and is generally quite conservative. Both methodologies have shortcomings in that they assume standard costs of transport, currency exchange rate, defined purchase locations, availability of transport, delivery time lags, etc., whatever the purchase date.

III.2. <u>Resources dimension</u>

III.2.1. Resources management – local procurement and the BPR

The Southern Africa region is generally a surplus food producer, primarily due to the effect of South African agricultural potential and, in the past, that of Zimbabwe. The latter country has now become a net importer of cereals, as has Namibia, which is now included under the regional PRRO. South African production in 2003/04 was 11,716,000 tons of white and yellow maize combined, but was expected to be down to 6,500,000 tons in 2005/06, primarily due to reduced planting areas as a result of low prices the previous year.

The high potential for local procurement has shaped WFP policy, which has been to seek cash contributions rather than in-kind food pledges, to take advantage of low commodity prices and economies in transport costs by procuring regionally. Between January 2002 and January 2006, the WFP Regional Bureau purchased a total of 1,632,513 tons of food commodities, principally maize and maize meal, at a cost of some $327 million in the region, of which 60 percent by tonnage in South Africa. Were this to be applied only to the regional emergency and PRRO planned requirements, the local purchase element would represent 43 percent of the total needs, and slightly more of the actual distributions, which run at around 80 percent of the target. ODJ has endeavored to take full advantage of cash pledge forecasts and, thus, the corresponding WCF loans, within the policy of maintaining a full and steady pipeline, taking account of seasonal changes in requirements, i.e. ensuring high level of supplies during the 'hungry season'. It achieved savings through local purchases as long as procurement could be made when the prices on the market were favourable.

III.2.2. WCF and other borrowing options

As far as BPR option versus other borrowing possibilities is concerned, for strict food management purposes it would seem irrelevant where funds come from, as long as advance funding is available for procurement, transport and distribution.

Before the BPR came on stream and prior to the WCF and PCA being accepted as tools of financial management, the borrowing options were IRA, CERF and Direct Support Costs Advance Facility (DSCAF), all used with caution, except that IRA was sometimes looked at as a grant.

First PCA, then WCF, came to be seen as a major step in accelerating availability of commodities for projects, especially emergency and protracted relief interventions. WCF is seen by ODJ as a source of pre-financing on a relatively large scale and under well established rules (needing clarification and better definition) thus preferable to other options. PCA is regarded as a short-term loan facility for both commodity and operational cost purposes, and at discretion of the Regional Director (or Country Director).

III.3. Management issues

III.3.1. Information flow and control mechanism

Downstream (beneficiary end) data necessary for loan decisions is fed by country offices directly involved in the PRRO operations, to the RB, which coordinates and consolidates information from all six (now seven) COs into one single spreadsheet covering the whole operation. Upstream information on donor contributions and forecasts of future pledges and their nature is supplied by FDD/HQ. ODMP controls the overall resource allocations and pipeline to the PRRO and follows up all the loans contracted by the operation, be they WCF, IRA, CERF or DSCAF. However, only WCF loans are *formally* controlled by the 'bank' although all loans are shown in the spreadsheets which are used as control mechanism by the bank's supervisory board. PCA loans go through an internal evaluation process in the Regional Office, prior to being released.

Requests for loans are made in the RB, which has an overall responsibility for the regional PRRO, but a CO can prompt a request if it feels that its pipeline is at risk. However, it is at the RB level that the resource situation of the operation as a whole is followed up, breaks in the pipeline noted, corrective measures proposed and action taken. COs advise that, while they are conversant with the spreadsheets, little has changed at their level with regard to gathering and recording information on progress of their activities. The key data they provide relates to beneficiary numbers targeted, number of beneficiaries reached, quantity of food in the pipeline (in transit to the country, available at store, distributed and expected as future contributions) and projected distribution figures/beneficiary numbers. All this would have had to be done prior to introduction of BPR and, although no additional workload is being claimed as a result in the CO, there is dependence on the RB for consolidation of inputs into the spreadsheet.

Regarding data itself, the RB provides information on stocks delivered to the individual countries, shown in the spreadsheet as delivered. These represent physical stocks available in the CO, but they could be either in transit, at port or being procured. There could therefore be a difference of days, weeks and occasionally even a month or two compared to actual delivery to distribution sites. There are also differences with regard to distribution figures where WFP cooperating partners provide data and, as they are numerous, the data provided cannot be relied upon to represent a *totally* accurate picture. Nevertheless, these issues are acknowledged and accepted as part of the management challenge and there are hopes that some may be corrected through a closer cooperation with COs and particularly upon coming on stream of a full-fledged data base through WINGS 2.

III.3.2. Criteria for loan decisions – field perspective

The principal preoccupation of the CO (and RB) is to ensure that their resource pipeline adequately provides for timely delivery and distribution to project beneficiaries as planned in the original submission to the EB and/or amended subsequently as a result of changes dictated by field realities. HQ provides data on resource availability and this is plotted by the RB over the whole project duration. Pipeline breakdowns are signaled through projections of distribution and beneficiary data, and loan requirements are considered primarily at RB level, as would be expected in management of a regional operation.

Since the PRRO started on the 1 January 2005, with a carry-over of 58,265 tons from EMOP 10290 (barely two months target distribution), ODJ borrowed a total of $14.6 million from CERF, IRA and DSCAF to ensure a steady supply of commodities during the peak needy period. This was prior to WCF loans becoming available for ODJ use. Although IRA requires HQ approval and CERF is a revolving fund loan from OCHA, none of these loans required collateral in any formal way. Neither does the DSCAF loan. However, a contribution forecast is expected, especially on IRA and CERF loans.

The RB borrowed another $5.6 million from LTSH (PCA) in April 2005, when it also drew $3.5 million from the DSCAF. WCF loans were negotiated in June/July 2005, for a total of $34,510,458, in principle to take advantage of the low maize prices obtainable immediately after harvest in the region.

$23 million were reimbursed already in August, which raises questions as to whether these loans, or their full amounts, were necessary. The bank argues that, as funds were available, the RO could access the market immediately and savings were made as a result, in addition to the pipeline having been guaranteed for several months. From the field point of view, requesting reimbursement so soon after the loan is made makes little sense. From the bank’s perspective, if collateral has become available, there is little point in waiting.

The big problem with regard to loans from WCF from the field perspective relates to the predictability of forecasts regarding future contributions and their classification (high-medium-low), as well as conditions attached to such contributions. Forecasts are done in the HQ by FDD and it is suggested that there was insufficient communication between the RB and HQ to guarantee that the contributions matched the loan.

The second issue relates to borrowing from PCA, principally LTSH money, to purchase commodities, with the risk, according to some COs, that there may be insufficient funds to cover transport and distribution costs once they are called for. This is considered a real risk, as it may penalize COs which generally are not a party to a decision to draw on the funds.
At the same time, any loan, PCA or others, is taken on behalf of the COs and in support of their programme, with the RB taking the risk on their behalf. It is acknowledged, however, that none of the COs had to confront a situation where they could not meet their bills.

There was some hesitation concerning the IRA, because its revolving nature was not well understood and even deadlines for reimbursement were thought to be either on termination date of the operation or set for a convenient date in the future. It was clarified that the IRA should be treated as an allocation for most urgent needs only and is normally to be reimbursed.

III.3.3. Challenges in producing accurate spreadsheets

There are many contributors to the spreadsheet, but the key workload is concentrated in the RB where coordinating inputs from programming, logistics, pipeline management, procurement, resources mobilization and finance, as well as from HQ units such as FDD and ODMP, requires a good deal of skill, patience and careful scrutiny. Inputs from parallel CO colleagues are first controlled by the specialized staff in the RB before consolidation by the RFA, and approval by the manager of the Regional PRRO/BPR Manager/Regional Emergency Coordinator and by the Regional Programme Advisor.

Errors downstream (due to the many parties involved, including hundreds of NGO partners, and due to error-prone manual nature of the data collection) have repercussions on final figures and may result in falsely highlighting a critical pipeline or a comfortable resource position when, in fact, the situation may need special attention. Use of parallel data sets, distribution figures and beneficiary numbers may lead to such errors. As noted above, ensuring same language definition of ‘delivery’ point should already help avoid some errors. More rigour in controlling partners’ distribution figures could also contribute to the goal of setting accurate targets for delivery and distribution.

III.3.4. Relationship with HQ

There was a consensus that relations with the ‘bank’ were clear and that the two sides understood each other well. There was a feeling that, at ODMP level, HQ was likely overworked and could not give sufficient attention to the needs of the field. It is probable that, as guidelines are developed and tools improved (HQ is fully engaged on this), this side of the problem will be resolved soon and the BPR process, under the new name of New Business Model, will go ahead. It is assumed that guidelines covering WCF and PCA will also be finalized, thus improving the understanding of the whole concept of borrowing.

Needs assessment is absent from the BPR process but could be addressed by the Best Practices Project (BPP), which is being field tested in Johannesburg. Two current weaknesses of the BPR could be addressed by BPP: needs assessment and focus on process. However, BPP is currently only being rolled-out in ODJ.

Regarding loan policy, if only one category of loans is controlled carefully at HQ (i.e. WCF), there is a high risk of default if other loans are taken up without the same kind of collateral guarantees (e.g. PCA). There could be a risk of serious handicap if money, originally planned for say, LTSH, is used for other purposes and is not available on time for its original purpose.

An issue raised concerns FDD's forecasting role and the potential errors that may lead to difficulties when expected contributions either do not materialise or cannot be matched. A specific case of in-kind rice donated by an emerging donor without matching cash for LTSH was cited as a problem of lack of communication between ODJ and FDD.

III.4. Capacity issues

III.4.1. Staffing and time employed on BPR issues

At this stage of the BPR development, none of the countries which form part of the PRRO, claim to have any need for additional staff to manage the BPR process at CO level, or have witnessed a significant increase in their workload as a result of the introduction of the bank's advance facility. They do admit that the new tool is fairly complicated, but they would have needed to perform the same tasks of information gathering and recording data to run the operation even without the BPR. If anything, the discipline required in producing data and the rigour of presenting it have helped in management of the resource flows, planning beneficiary caseloads and projecting expenditure.

At the RB level, it is clear that the bulk of the work related to BPR has fallen on the shoulders of the RFA, who spends most of his time on this task and has requested an additional post of a national officer to help him. The manager responsible for the BPR process, and for the PRRO as a whole, devotes many hours a month to WCF, as does several other staff. This does not necessarily mean additional work, however, to what would have had to be done in any case to manage the operation efficiently. A monthly BPR meeting is conducted at RB level. There are more or less regular, bi-monthly, teleconferences with the HQ bank and there are regular contacts with ODMP.

III.4.2. Additional costs at RB/CO level

There are no significant costs attached to BPR process at CO level, and those at RB level are relatively minor. They concern the RFA post and his proposed assistant, plus support and communications costs. These costs are more than compensated by the savings which are obtained in procurement of commodities at a convenient time and likely, but not calculated, savings in transport by better planning and a steady pipeline.

It is to be expected that once there is a roll-out of the BPR to individual countries there will be additional costs for training at corporate and regional level, as well as for additional staff at CO level, where the expertise to handle a full range of support service for the process does not exist.

The current RB staffing would need a modest amount of strengthening to provide BPR support to all countries in the region, should the BPR be extended.

III.4.3. Adequacy of staff guidance and training

At RB level, it is evident that the staff engaged on BPR has been adequately trained and the process is ongoing. There were no complaints from any of the individual contributors to the spreadsheet about difficulties in following the loan procedure and responding to HQ requests, but there were constant reminders that the current guidelines are inadequate on the procedure to be followed when requesting a loan. There was a feeling of lack of clarity on the whole range of loan opportunities, their revolving or grant nature, and priorities regarding reimbursement. In addition to technical aspects of WCF, the important issue which was raised by the RB and CO staff who were interviewed concerned forecasting and conditions applying to the loan collateral. Both needed clarification.

III.5. Linkages between BPR and BPP

III.5.1. Initiatives compared

The Best Practices Project was conceived as an experiment and applied in ODJ region in 2003/04 to the project management cycle with a view to create, optimize and implement standard and enhanced business processes by introducing:

a) a set of standardized process/organizational requirements, comprising:
   - standardized needs and supply chain processes
   - detailed definition of individual roles/responsibilities and functions
   - performance indicators
   - tools to collect monthly needs-focused planning, and actual, information

b) a continuous improvement mechanism

c) operational management system (OMS) to help capture and aggregate operational planning data and help support implementation of the monthly management cycle.

BPP was mainstreamed into the regional PRRO at its inception in 2004 and into its operational phase when it was implemented in January 2005. Its code of conduct is PACA – Plan, Act, Check, Adjust.

See the Appendix for more information on the BPP.

III.5.2. Current work on NBM

The Project Planning Tool (PPT), which will allow automatic downloads from WINGS overnight, should help correct some of the weaknesses of current handling of WCF reporting. At present, there is room for errors in that too much cutting and pasting from different Excel sheets to create the spreadsheet, is taking place

The process will be simplified and avoid the complexity of the current reporting.

It is also expected that the NBM will promote development of guidelines, allow an easier understanding of when one should consider a request for a loan, and which kind of loan should be sought, especially as between a PCA or a WCF loan, and create a 'process map'. It is also intended to clarify roles of RD and that of CDs in the BPR operations, and this is of major importance when the BPR is rolled out to component countries in ODJ. Another proposed element of the NBM work will cover the question of safety net for PCA, which currently is fully at discretion of the RD and his team, with no specific rules and limits.

One of the key gaps in the NBM will hopefully be addressed, in ODJ at least, by OMS– the Operational Management System, an application that will support BPP, presently being developed by a consultant and a team from TNT. The principal weak link in the management of operations in the field, noted earlier in this report, relates to accuracy of data from WFP implementing partners at sub-office level, and OMS intends to address this problem, thus linking information at beneficiary level to that of supply.

III.6. Impact

III.6.1. Management of the PRRO

The PRRO is managed at the RB by a working group which meets regularly to discuss the contents of the spreadsheet which is sent to the bank's board on a monthly basis. The meeting is normally chaired by the RD. The spreadsheet is a reflection of all stages of management of the PRRO, from inception through planning resource flow and distribution to the beneficiaries. Although all members of the WG contribute data which is essential for effective control of the operation, the managerial control of the PRRO and of the BPR process is in the hands of the PRRO Manager who coordinates all the inputs. These come from the Regional Financial Analyst (responsible for the final version of the Spreadsheet), Senior Programme Adviser, Logistics, Resource Mobilisation and Pipeline Officers. The Financial Analyst plays a crucial role in overseeing the accuracy of data from country offices, ensuring that commitments match the forecasted contributions and that loans are reimbursed on time as agreed with the bank, in case of WCF borrowings or as required (if from PCA) for operational purposes. It would appear that the issues which arise at field level relate to:

a) accuracy of information on:
   - number of beneficiaries (sub-office level);
   - quantity of food distributed (sub-office level);
   - quantity of food delivered at distribution points; and,

b) concern about:
   - RB decisions on borrowings from PCA, primarily individual countries' LTSH funds;
   - forecasted contributions and conditions attaching thereto.

It is expected that further progress in improving the NBM processes will help resolve issues under a) above, both through the PPT and when WINGS 2 comes on stream. The problem of drawing from PCA with the risk of leaving a gap in case of urgent need for transport or distribution costs should be solved by closer contact with COs and 'bank' involvement. The issue of forecasting risks must equally be resolved by better understanding of conditions set by individual donors and clear description of collaterals when categorized at time of negotiation of WCF.

III.6.2. Beneficiary level effect

There is little doubt that the number of beneficiaries which could be reached as a result of funding being available early, has been higher than otherwise would have been possible, and that early procurement helps to guarantee timely delivery. In principle WCF process has made an important contribution to keeping the pipeline uninterrupted and ensuring that the planned .beneficiary figures can be maintained throughout the pre-harvest 'hungry' period. An attempt to calculate the number of additional beneficiaries who could be reached as a result has been made but results are currently being checked. They should be available soon.

III.6.3. Cost saving

Cost saving resulting from early availability of funds, allowing procurement of commodities at periods when prices are low, has been one of the important by-products ascribed to BPR. While correct to the extent that the period of low market prices in Southern Africa region is between April and August, and WFP RB did access the market during this period, their procurement statistics show, for 2005, bigger local purchase (South Africa) activity between September and November, when prices were higher (all in MT):

Period	**tons**	**Safex* price average ($ per ton)**	
		white maize	**yellow maize**
April	10,785	88	99
May	40,039	89	95
June	8,258	86	90
July	40,752	90	94
August	15,901	99	96
September	51,117	122	112
October	59,237	127	115
November	68,504	137	121
December	1,084	174	139
January (2006)	0	178	156

* South African grain exchange

The pattern is likely to have been determined by availability of funds, among other factors, but the first funding advances from IRA and CERF were negotiated in November/December 2004, and whether they were directly related to purchases for the PRRO is a matter of conjecture as only a small quantity was purchased in December 2004 (1,084 tons, when average price for white maize was $ 139/ton), and no purchases at all were made in January 2006. The WCF loan in August 2005 is more certain to have been related to the procurement actions between September and November, and it is estimated that savings of some $ 3.2 million were made compared to procurement at prices when actual contributions became available.

One can speculate why ODJ did not negotiate earlier WCF funding to permit entry on the market earlier, but there are many number of factors which have to be considered, including storage, transport, stocks on hand at distribution points and in transit, and these may well have played a role in the decision to apply for a loan in July/August only. It has been said that the loan approval procedure is slow, and this could also have played a role. All this should be taken into account when examining the operations of the new NBM.

III.6.4. Any negative consequences?

It is too early to project negative consequences of the WCF process on future resource pipeline of the PRRO 10310. By advancing against future contributions, it is expected that the opportunities of matching forecasts with advances will narrowed down, and the opportunities for drawing on advance funding will become scarce. However, with a three-year PRRO programme it is expected that the pipeline can be secured early enough to make advance funding unnecessary. While it is thus not appropriate to talk about negative consequences, one can point to risks, referred to earlier, such as accuracy in data reporting which can affect projections of needs, beneficiaries and quantities of food called forward and supplied, all having effect on decisions regarding recourse to BPR, as well as risks of forecasting and the attaching conditions which may affect chances of reimbursement. Above all there are risks of inattentive borrowings in the urge to achieve targets and deliver fast and effectively, especially from PCA or DSCAF, with the risk of being left short when funds are/may be urgently needed.

III.7. <u>Conclusions</u>

1. The overall assessment of the value of BPR process in helping to respond to food needs of targeted beneficiaries is positive. This view is shared by all ODJ staff and those colleagues in the country offices whom the team interviewed (Malawi and Zimbabwe).
2. Advance funding has allowed more timely delivery and better achievement of targets in terms of number of beneficiaries and quantity of food distributed. It has also improved pipeline planning and the stability of the food supply.
3. Claims that more beneficiaries are being reached as a result of WCF facility may be correct but the main aim of an operation is to reach the planned number or come nearest to the achievable goal. The BPR process has contributed to this aim.
4. The BPR tool, principally the process based on Excel spreadsheets, has helped to smooth the flow of commodities for the PRRO. It is a combined effort of several staff and at risk of errors. Introduction of WINGS 2 in 2008 should improve data reliability.
5. Availability of funds through the various borrowing options may have encouraged more optimistic projection of needs and beneficiary targets. Thus, it may have an (inflationary) influence on assessments. At the same time, knowing that funds and resources are available can help plan for distributions more in line with project goals, rather than downsize targets in expectation of inadequacy of contributions.
6. All borrowing options are considered at par when planning the pipeline. Although WCF control through the ‘bank’ and ODMP is well managed, there are risks in allowing other borrowing options, such as PCA, IRA and DSCAF, to be accessed without a similar control mechanism.
7. There is need for a set of comprehensive guidelines on the range of borrowing options and pertaining conditions, as well as defining priorities in reimbursement.

8. Borrowing under the PCA facility, requires close consultation with individual country offices.
9. Currently, most of the work relating to BPR process is handled by the RB and, specifically, by the RFA. This concentration of responsibilities will need to be addressed if there is a roll-out to countries in the region.
10. It was suggested that ODMP, a key contact on all matters of programming, does not have enough staff/time to give adequate attention to field matters.
11. Country offices are not adequately trained to deal with the BPR/NBM if and when it is rolled out. Although the BPP has been introduced to some of these offices, there is little understanding of the interaction between different initiatives being promoted by WFP, and attention of the HQ Change Management office will be necessary to ensure full acceptance.
12. Accuracy of forecasting has been criticized. Closer cooperation between FDD and the RB (and, in future, COs) could help resolve the misunderstandings.
13. There is a consensus that introduction of BPR processes has improved PRRO management by introducing a stronger sense of discipline in planning, programming and delivery of assistance.
14. It is possible that the BPR advance funding facility may have negative consequences on the PRRO pipeline towards the final months of the operation when all forecasted matching contributions will have come in and loan possibilities will have been exhausted. The resourcing options left may be too restrictive to keep the pipeline full at an optimum level.
15. Savings have been made, as a result of funds being available earlier for local procurement, thus permitting access to markets at time of low prices.

Appendix - The Best Practice Project (BPP)

The "Best Practice Project" (BPP) was developed by Country Offices and the Regional Bureau in southern Africa during 2003-2004, with support from WFP's corporate partner, TNT. The BPP was mainstreamed into the regional PRRO in 2004-2005.

The project was initiated in southern Africa towards the end of the first phase of the regional drought emergency operation in 2002-2003, when management acknowledged the need to improve supply chain processes. The project started by mapping the existing processes in different Country Offices and then collected and merged good practices to create standardized and enhanced overall processes. The BPP has been organized around three main sub-projects: Processes and Procedures, People and Organization and Tools and Technology.

The Blue Print processes focus on a monthly cycle, called the "PACA" – plan, act, check and adjust activities in a systematic manner. By the middle of each month a monthly operations plan (MOP) should be prepared and used as the basis for the next month's food deliveries, supplies and distributions. Key elements of the MOP include the distribution plan, delivery plan, general action plan and financial commitment forecast.

The BPP focuses on the downstream needs and supply chain processes of WFP, with an emphasis on the recurring planning and implementation phases, rather than the management or the support processes.

According to a Review of the BPP carried out in November 2005[2], the Blue Print processes have been formulated through a bottom up participative process and are from Field to Field, having been developed and implemented by WFP field staff, with the support of TNT, in a very hands-on approach. The BPP has been subjected it to a continuous reality check which ensured that it is addressing the right issues for field staff. As a result, the methodologies are said to be very well understood and accepted by field staff.

At the current time the process and operational elements of the BPP are much more advanced than its key technology element, the Operational Management System (OMS). A TNT team was in Johannesburg in February 2006 in order to help develop the OMS software, which should be field tested in the first months of the year.

One significant problem identified by the BPP Review team in November 2005 was the lack of a short and easily understandable guide to the key BPP elements. The Review team noted that existing documentation consisted of a selection of several hundred documents written in sometimes very different "languages". Also, the interface between the proposed BPP software (OMS) and other existing or planned technology tools was not clear. The Review team concluded that the BPP was applicable to other regions and countries, however, as well as other project types (beyond the PRRO).

2 "The Best Practice Project – A Review", prepared by Carlo Quirici and Gyorgy Dallos of the Policy, Strategy and Programme Support Division, WFP, and dated 18 November 2005.

During its interviews of staff in the southern Africa region the BPR evaluation team found a mixed reaction to the usefulness of the BPP. While one Regional Bureau staff member felt that nobody was really using the BPP and that the monthly operational plan was not being analyzed, staff members at the Country Office level were more positive and felt that the process mapping had been very useful. One staff member interviewed believed that the BPP tool, the OMS, was a useful "bottom up" planning approach, building on implementing partner needs at the sub-office level. Thus, the OMS could fill the "needs" side of the BPR, as she felt that the "missing link" in the BPR at the current time was the supply chain element. The same staff member felt that the BPP had helped a lot in cross-functional training and in improving internal office communication between different units (e.g. logistics, programming, procurement).

There was concern, however, as to whether the BPP would garner sufficient WFP corporate support in the longer term, as it had been largely TNT-driven to date. While a Country Office staff member asserted that the BPP was now a part of the CO's regular business and helped the office to review their internal processes, with links to RBM, a number of staff at the Regional Bureau level felt that the BPR was taken more seriously by staff than the BPP, because the BPR resulted in enhanced resources flows. The two are not mutually exclusive, however, and it is to be hoped that the more useful elements of the BPP can be taken up and integrated into the New Business Model.

Annex IV – West Africa Coastal case study – PRRO 10064.3

IV.1. Regional context

IV.1.1. Original project data:

Food tonnage:	204,884
Value in US$:	156,164,862
Beneficiaries:	1,460,655 in 2005 1,234,712 in 2006
Duration:	24 months
Justification:	Post-conflict transition from relief food distribution to targeted food support to social sectors
Approved:	EB October 2004

The regional West Coast of Africa (WAC) protracted relief and recovery operation covers Liberia, Sierra Leone and Guinea. It is expected that the regional programme will terminate at the end of 2006, but that operations will continue under individual country PRROs.

VI.1.2. WCF loans:

Nov/Dec. (09/11 & 28/12/2004)	$ 10,250,000
Repaid	$ 4,494,274
Balance	$ 5,755,726
New additional finance	$ 5,380,000
Total refinanced 02/11/2005	$ 11,135,726
Repaid	$ 3,405,623
Outstanding	$ 7,730,103

IV.1.3. Background to the WAC PRRO

Civil strife in the coastal West African countries led WFP to introduce a regional “umbrella” approach in the second half of 1990, and a string of emergency operations was followed in 2002 (approved October 2001) by PRRO 10064.0 and its two expansions through 2004. The current operation 10064.3 is intended to be the final ‘relief’ transitional phase before embarking on country specific rehabilitation and reconstruction programmes.

Resourcing of the PRRO has had a chequered history, with 40 percent of the 2002 calendar year food being distributed only in 2003. The second phase (10064.1) covering the twelve months of 2003 continued until September 2004, and the third phase started with commodities supplied in advance of official approval in August 2003, due to a sudden increase in beneficiary numbers and generous donor response. In effect there was an overlap between the last two phases, but a surge in food requirements called for extraordinary appeal in mid-2004. There were fears of a pipeline breakdown for Liberia and the introduction of BPR process led to a request for a WCF loan of $4.5 million in October 2004 against the up-coming PRRO 10064.3.

According to ODD, there would have been a total pipeline breakdown in January 2005, and other serious shortfalls almost every month for the rest of the year, in total estimated at almost 7,000 tons. With the loan available, the shortfall was less than 700 tons, and was accommodated by adjustment of targets. In effect, while the PRRO initial implementation rate had been set at around 65 percent (based on income forecasted at that time), it was subsequently adjusted to 75 percent of the approved project overall requirements.

IV.2. Resource situation

IV.2.1. Resource management – BPR and other advance funding options

The bulk of ODD resource pipeline is in-kind, which makes BPR management particularly complex and identification of forecasted contributions that match loans rather difficult. Although advance funding possibilities have been explored and secured, opportunities to procure commodities locally in West Africa are few and purchases are made almost exclusively on the international market. While calls on advance funding are mostly limited to prevention of pipeline breakdowns rather than saving on costs, additional impact could be obtained if such funding would coincide with requirements to fill the pipeline and good procurement opportunities. This cannot be controlled, however, and the first loan from WCF in December 2004 was used to purchase 14,000 tons of bulgur wheat, 1,375 tons of CSB, 1,365 tons of pulses and 830 tons of vegetable oil, all on the international market. The second loan (December 2004 - cumulated with the first) was used for the related costs of transport and distribution.

Another WCF loan in October 2005 was used to procure 7,250 tons of bulgur wheat, 720 tons of rice and 245 tons of oil, again on the international market. A minor loan drawing on the PCA facility, of $424,000, was taken in May 2005 to buy 100 tons of CSB.

No borrowing from IRA was contemplated on the grounds that this was in any case a facility for emergencies only and that it may not be available for this operation.

Since serious pipeline breakdowns, as noted in para. **IV.I.3.** were avoided through the borrowing process, ODD indicates that 748,000 beneficiaries in Liberia were fed as a result, in addition to 212,870 in Guinea and 36,000 in Sierra Leone. These calculations are based on tonnage of food commodities made available as a result of the availability of funds from the WCF and PCA.

The October 2005 Yellow Pages show that the resources shortfall for the PRRO was 28 percent and that 1,229,871 beneficiaries received assistance. This, at 75 percent, is roughly in line with the project planning of 75 percent of targets, maintained with some regularity over much of 2005 and programmed for 2006. The projections reflect pipeline problems, where, as an example, in Liberia the rations for IDPs have been reduced for over a year since June 2004. In Guinea rations for Liberian refugees continued to be reduced and FFW, FFT and Emergency School Feeding (ESF) activities were temporarily suspended. In Sierra Leone planned expansions of ESF had been halted and refugee rations were cut.

IV.2.2. Relationship between WCF and other loans

ODD is aware of the possibilities of loans under CERF, WCF, IRA and DSCAF, and the RB staff have commented that before considering an outside loan, 'internal' borrowing options are examined. As all loans have to be reimbursed, the practical considerations relate to the added value of one loan over the other. Conditions attached to contributions to WAC operation are of paramount importance in decisions at time requests for loans are made, as they affect the feasibility of reimbursement.

The main donors to WAC are the USA (essentially an in-kind donor), the EU and Japan. All impose special conditions on their contributions, related to packing, local purchases, retroactivity, which make it difficult to match them with pure cash loans.

Apart from the PCA, fully under RB control, other options were considered impractical or inaccessible, e.g. IRA. In conclusion, ODD in the execution of its role as manager of the WAC operation within the BPR Pilot, used almost exclusively the WCF facility in an effort to 'test the new scheme'. It thus took extra care not to draw on its project cash to fill gaps, preferring the BPR 'bank' with its system of loan control and HQ contribution forecasting.

IV.3. Management issues

IV.3.1. Data collection and reporting

The BPR team in ODD is centred on the Regional Coordination Unit (RCU), composed of a Chief of the Unit, Regional Financial Analyst, and Resource Mobilisation, Programme and Pipeline Officers. They report to the Deputy Regional Director. The Chief of RCU supervises WINGS budget clearances, programming of resources – commodities and cash for the regional PRRO, backstops COs on resource requests, exercises control over pipeline management, including loans, is responsible for implementation of the NBM and for liaison work regarding fund-raising. The latter work covers inputs into the Blue Book and the Yellow Pages. He also takes responsibility for SPRs for the two regional operations (WAC and Ivory Coast).

Information which is the basis for inputs into the spreadsheet comes in from the three country offices, principally planning, targeting and pipeline projections. These are updated every month. FASREPS (food availability status reports) come from Liberia and Sierra Leone only, with Guinea communicating data in a 'different form', and this on a monthly basis. Financial projections are also submitted on a monthly basis. Following food pipeline-related updates done by the Regional Pipeline Officer, the rest of the information is then consolidated by the Regional Financial Analyst (RFA), who provides an overview of financial situation to the RD. The RFA spends about a week every month on BPR activities related to the PRRO/WAC/Pilot. Plans are under way to have her supported by three staff (PSA-funded and from regional operations' DSC). She confirms that, at country office level, much training will be required if/when the process is extended to single CO operations. The current burden on the RB staff is due to the regional nature of WAC, where consolidation of data must be done in the regional office.

IV.3.2. Ownership, complexity and accuracy

Currently, the BPR process is seen to be fully RB managed and controlled in conjunction with the HQ. All three country offices have stressed that the WAC pipeline and resource flows, including cash, are ‘managed from Dakar’. They do not see the mechanics of how the spreadsheet is produced, but feel that, with the BPR, their pipeline is more secure, although breaks still occur. Breaks are identified more in advance, however, and CO staff members are grateful that the BPR process has introduced a measure of discipline, and helped in the planning process.

COs adjust distributions targets before serious pipeline breaks occur. Liberia was particularly pleased that their supply was assured far into the year (2006), and Sierra Leone, although noting that they had interruptions for several months early in 2005, appeared reassured that this year matters will improve. Liberia admitted that they had no answer to a 75 percent target plan dictated by anticipated contributions, but the CO could, with BPR longer term planning tool, at least strategise by focusing on the most vulnerable segments of the population and temporarily suspending the least important activities.

The BPR process was considered complicated, not only at CO level where exposure to its vast information needs was scant, but also in the RB, where, given the PRROs regional dimension, several staff in the RCU, plus three supporting the RFA, had to contribute to its completion. There are finance officers in each of the COs who help produce financial reports. There was no major complaint regarding accuracy, however, probably because of the referral system back to COs to ensure that all possible differences are ironed out before submission to HQ.

IV.3.3. Relationship with HQ Credit Committee, ODMP and FD

Although no serious reservations were made in direction of HQ units, the principal comment related, as in ODJ, to lack of proper guidelines and directives on the process itself, range of pre-financing options, their advantages and disadvantages and the conditionality attaching to contributions. Admitting that forecasting in HQ was not an easy task, especially when applied to ODD countries (where donors tended to pledge in-kind rather than cash), a plea was made for stronger lobbying and education on that front, especially with regard to conditions attaching to contributions.

As PCA and other loan options were hardly used due to concerns regarding reimbursement, it was noted that a bigger involvement of the Credit Committee in decisions on such loans could facilitate the process. Possibly some kind of ceiling on the delegated authority of the RD and CDs up to certain agreed PCA limit could be considered. There was also a call for a wider dialogue with ODMP by, and with, staff outside the RFA.

Questions were raised on the delays in processing loan requests: in theory loans were to be processed within a maximum of two weeks, but often it took much longer. Would it not be possible to take decisions within a day or two? Furthermore, once the loan was approved there were delays following the issue of PRs and POs, with the time taken to actually deliver commodities to the country in need being overly long.

IV.4. Capacity issues

IV.4.1. Staffing

Current RB staff involved in BPR appears to be sufficient to cope with the present workload, but any suggestion of a roll-out to a total of 18 countries in the region, as appears to be intended, will require careful consideration and most likely extra capacity to launch and adequately support the roll-out effort. At present, given the regional nature of WAC, the three COs presently involved in the PRRO rely very heavily on the RB for the consolidation and management of WCF (and express their complete satisfaction with this situation). Adding more countries to the new BPR scheme in ODD will mainly involve single country operations where management is delegated to COs.

Liberia, Sierra Leone and Guinea all have finance officers who take responsibility for the financial side of BPR. They claim that they contribute little to the BPR directly, however. There could be a need for staff in those COs which will be 'rolled-out' to service additional bank and loan processes. If the RB is to continue to give strong support to such country offices in the New Business Model, further strengthening of the ODD RB may also be necessary, despite its seemingly large complement of BPR "support" staff.

IV.4.2. Costs

The present workload relating to BPR covers two regional projects (Ivory Coast is not yet included in BPR, but the RB is heavily involved in this PRRO). A rough estimate is that all RCU staff spend up to a quarter of their time on BPR related work, be that strict spreadsheet control or pipeline and resource mobilisation issues. There are clearly some additional costs involved in communications and rental and these are at the moment covered through DSC as well as PSA. The RCU is relatively well staffed (see IV.3.1 above), but the Bureau oversees 18 countries. COs in ODD are not well staffed in general, with the notable exception of some of those which have large programmes (e.g. Chad, Liberia). Any roll-out to CO level will require a prior study of costs and undoubtedly some additional staff will be required.

IV.4.3. Staff guidance and training

The head of RCU was one of the pioneers of BPR, and the RFA has not only been coordinating inputs into the spreadsheet since December 2004, but has attended a training session in HQ once in 2005 (and another one in March 2006), so at least there is adequate knowledge at the control level in the RB to tackle an expanded roll-out. However, both of these 'experienced' staff stress that guidance material is lacking, especially on the process itself, such as: when should one consider applying for a loan?; which borrowing option should be targeted first?; what are the risks to the CO especially?, etc.

It is said that risk analysis at 'field' level is hardly present, bearing in mind that forecasting, including matching of contributions to loans is done in HQ. The RB staff members are well aware that conditions attached to loans will often preclude them accepting a loan from the WCF. Just as in ODJ, a set of rules describing the conditions which different donors attach to their contributions could help staff to understand better the intricacies of the bank system.

ODD has been modest in drawing on PCA or other advance funding options because of fear of default, and is continually worried whether the 'confirmed contribution' can/will indeed be used to reimburse a loan. If there are such fears at RB level, these concerns are magnified at CO level. Thus a major training and education campaign will be required before any serious roll-out is decided upon in this region.

IV.5. Impact

IV.5.1. Management of the WAC PRRO

There was a general consensus among the three Country Office staff who contribute to the BPR 'exercise' and benefit from its application, that their pipeline (WAC PRRO part) has acquired stability as a result of introduction of the control process. Whether this is purely the result of BPR spreadsheet, targeting, distribution and pipeline control inherent to it, or the overall oversight exercised by the RB over a regional operation, is difficult to judge. It was also noted that Guinea provided data 'in their own way', but to full satisfaction of the RB. The system works, however, and the regular consultations instituted by the process have become part of the routine. There is constant exchange of information on best options in despatching commodities to different countries and different ports, all depending on priority needs. There is also dialogue on targets, with acceptance of the more realistic 75 percent currently set.

Management at RB level of the BPR process and PRRO as its pilot, appears to have been done professionally, and has so far attained its goals of generally avoiding major pipeline breaks. The RB claims that WCF advances have maximised the number of beneficiaries, and also maximised capacity at COs, by forcing these to properly and timely report, plan, programme and maintain data. Its own role has been described as a clearing house for country offices and the point of reference, technical support primarily, for them. In practice, RO plays a bigger role in that it assesses the bankability of a proposal for a loan and classifies contributions by 'high, medium, low', taking effective decisions on risks.

IV.5.2. Timeliness and numbers

Statistics produced would suggest that the loans contracted in 2004, prior to starting date of the PRRO, have ensured delivery of food when none would have been forthcoming without the WCF advance. Thus timely delivery was guaranteed, and pipeline breakdowns during the whole 2005 were avoided. Extrapolating the quantity of food delivered over the rations allocated, there is a claim that a total of 996,870 beneficiaries received assistance, which they would otherwise not have received. Since the loans were taken up at the end of 2004, and only partly repaid, it is not possible to accurately assess the effect, since part of the 'matching' contribution, intended as loan repayment, is still awaited. Nevertheless, and hoping that the loan can be repaid before the PRRO reaches its termination date, the WCF advance funding has undoubtedly given a respite to a programme where obtaining contributions is not an easy task due mainly to political considerations of the moment. Taking account of such difficulties, ODD has set its sights at a conservative achievement rate (75 percent) which would likely have been considerably lower without the pre-financing facility.

IV.5.3. Cost saving in food procurement

This operation started with little in carry-over stocks from a preceding phase of the PRRO 10064.2, and the key priority for ODD was to guarantee supplies to the beneficiaries. However, local procurement was not an option for West Africa Coastal Operation, except for salt procured in Senegal. Savings on transport, through local purchase option, could not be envisaged.

Logistics constraints are a further handicap to local procurement. International purchases, with delivery to ports in Liberia, Sierra Leone and Guinea, were the only solution when considering supplies in advance of donor contributions.

Since much of the loan is still outstanding it would be difficult to make a cost comparison without knowing when the actual cash will be available and the price which will prevail at that time.

IV.5.4. Possible negative impact of BPR process

There is no firm evidence that availability of resources in advance has influenced donors negatively in delaying pledges or has reduced their contributions. If there is some general reduction of support for the WAC PRRO, it is likely to be related to other pressures on donors and to the perception that, with peace in Liberia and Sierra Leone, refugees and displaced persons should soon settle to a normal life in their countries.

If the 'high' risk contributions which are expected to pay off the balance of the two loans still outstanding of over $7 million do not come in, there is likely to be a reduction in the pipeline in the second half of 2006. There are signs of possible diminished donor interest and both activities and rations have been reduced in some instances, pending clarification of the situation.

The latest projections of contributions (April 2006) and WCF updated repayment schedule have been on time, however, and the loan is expected to be fully repaid by November 2006.
In conclusion, it is does not appear that, for the WAC PRRO, there is a sign of a negative effect of resource availability as a result of the BPR on donor pledging and contribution patterns.

IV.6. Conclusions

1. The BPR process has effectively allowed PRRO 10064.3 to commence operations with a reasonable quantity of commodities to guarantee supplies and it helped stabilise the pipeline for the rest of the year (2005).
2. Almost a million people could be reached as a result of resources being made available through the WCF facility.
3. Although there is general support for the new facility in the RB, the complete understanding of the process, in COs especially, is lacking. Guidelines were frequently requested by staff, including those in the RCU.
4. It is not possible to estimate if any savings were achieved as a result of advance purchases on the international market, compared to costs incurred or to be incurred when donor contributions were available or were expected to be available.

5. The process introduces a mode of behaviour which adds to better management of resources and better forward planning. This is well understood at RB level and needs to be carried down further to COs which are likely to require advance funding from WCF, such as Niger, Liberia and Chad.

6. There is much hesitation in accessing the various borrowing options. Understanding of their advantages and risks requires attention, especially PCA, IRA and CERF. In this connection the various conditionalities attaching to contributions as well as to loans, would need definition and an inventory of donors' conditions would be desirable.

7. The RB (and the RCU in particular) are the centrepiece of BPR work, with COs relying fully upon them for correct compilation of the spreadsheet, consolidation of data and negotiations with HQ, be that the bank, ODMP or FD. This reinforces the notion that the process is essentially a Regional Bureau responsibility.

8. Forecasting of donor contributions is exclusively an FD responsibility, but many decisions are decided on advice of delegations resident in Dakar, or COs, and it is being suggested that both FD and ODMP work closer with ODD and COs on all matters of income forecasting.

9. The RB is quite convinced that a major roll-out of the NBM will take place this year and they are getting ready to have nine countries, including the three which are covered by PRRO 10064.3, be part of the process. To be successful, such a move will require a major training programme.

10. It is noted that a request was being made for a WCF loan for Niger while a large loan to IRA may still remain outstanding. Although this is not related to the pilot being examined, and has not been raised as an issue by ODD, extensive indebtedness is a risk which has been identified in other case studies when looking at the BPR. Possibly a ceiling on all borrowings as a percentage of cost of the project could be imposed.

11. The large proportion of in-kind pledges to the PRRO is a matter of concern, as matching of contributions with WCF loans is very difficult. This may be a serious problem when the current PRRO approaches its termination date and the loan or part of it is still outstanding. It is felt by some staff in ODD that more can be done to explain to donors the negative consequences of some of their conditions, especially the retroactivity issue or labelling.

12. In the case of a regional operation, loans are requested and reimbursed by the RD, who is considered the project manager. In the case of a single country BPR loan, it would seem that the RB takes the responsibility for clearing a loan request, and the question is whether this implies that his/her responsibility extends to reimbursement of the loan. Or is the responsibility solely attaching to the CO?

Annex V – Uganda case study – PRRO 10121.1

Uganda PRRO was designated as a pilot BPR candidate, outside a regional context, thus different from ODJ and ODD regional PRROs. It has its own staff component dedicated to BPR and, until September 2005, dealt directly with ODMP in Rome. From that date, they submit their monthly BPR package to the Regional Resource and Financial Analyst in the Regional Bureau (ODK) for scrutiny and subsequent discussion. The quarterly BPR package is sent directly to Rome but the CO has an obligation to communicate and copy to the RB prior to teleconference with the HQ.

V.1. Context

V.1.1. Project data:

Food tonnage:	452,508	
Value in US$:	267,182,664	(EB document: $263,306,886)
Beneficiaries:	2,792,100 in 2005	(EB document: 2,600,000)
Duration:	36 months	
Caseload:	Relief and recovery of refugees, displaced people and vulnerable groups	
Approved:	EB January-February 2005	
Starting date:	1 April 2005	

There have been two budget revisions since approval, involving LTSH and DSC, with a final revised budget total of $263,467,230.

Beneficiary numbers have fluctuated, mainly depending on security in the area where camps are located.

V.1.2. WCF loans

June 2005:	$9,324,715	reimbursed in July 2005
October 2005:	$7,745,371	” ” January 2006

There is no record of internal borrowings (PCA or DSCAF) or loans from the IRA or CERF.

V.1.3. Background

WFP has conducted relief operations in the northern region of Uganda since the early 1980s, when it assisted drought victims during the period 1983-85 (the ‘African Drought’ that afflicted 25 countries and caused an estimated more than one million deaths). WFP’s involvement with refugees from Sudan began in 1988. From 1996 it had to deal with large numbers of people displaced by conflict and activities of the rebel “Lord’s Resistance Army” (LRA). Peace accords for Southern Sudan in early 2005 gave rise to hopes for a possible repatriation of refugees. The agreement of the Sudanese Government to allow activities to be conducted against the LRA within its borders gave rise to expectations that the people displaced within Uganda might also return home.

The current PRRO follows on PRROs 6176.0 (April 2000 to March 2002) and 10121.0 (April 2002 to March 2005) and is closely connected to a possible ‘peace dividend’. Its operations began with a relatively modest stock of food commodities remaining from the previous phase. The PRRO targets a wide spectrum of beneficiaries, the principal being the internally displaced persons (1,472,200) and refugees (219,400). It also caters to 377,900 school children, 601,000 drought affected people in Karamoja, 95,900 HIV/AIDS affected and/or infected, and 97,200 malnourished and vulnerable children and other people. There is also a focus is on asset creation, specifically reflecting the recovery aspect of the operation, with 230,500 potential participants on the list.

With this rather full and varied beneficiary target, as well as the rigorous calendar that general food distribution implies, maintaining a steady pipeline was a pre-condition to success and pledging of resources to the programme assumed a crucial importance. In this context, the WCF has been a welcome innovation, especially in the light of a good record of donor support to Uganda in general. WFP’s potential contribution to the peace process, by helping regulate demand for food in the transition phase, would have been an important consideration in generating donor support.

V.2. <u>Resource issues</u>

V.2.1. Pre-financing

Uganda was admitted to the list of pilot projects to benefit from the BPR in April 2005, or within the second quarter of its new PRRO phase. The Operation had on hand a carry-over stock of 32,268 tons of food commodities from the preceding phase, which would allow distributions, in line with the planned implementation rate (26,418 tons), during a period of about one month. Due to security, distribution capacity and logistics problems, the actual distribution in April was only 18,221 tons (69 percent of target), and the first contributions under the new PRRO were already made available in March. Thus, the pipeline would have been secure for about four months altogether (until July), without recourse to borrowing, but at the reduced implementation rates of respectively 83, 61 and 66 percent (for the three months following April). Keeping it at a level that would adequately respond to beneficiary targets and food requirements beyond July would not however have been possible without borrowing and resorting to local procurement.

The WCF loan of $9,324,715 was obtained in June 2005 and procurement on the local market started in July (continuing until 11 August 2005) with distribution capacity increasing to over 90 percent of the planned implementation rate as of August and continuing at that rate until January 2006, with the help of the second WCF loan of $7,745,371 awarded in October 2005. The second loan funded local procurement between 15 November 2005 and 28 February 2006.

There is no record of any other loan being taken up, either internal or external, such as PCA, DSCAF, IRA or CERF. However, a PCA ‘loan’ was considered in the third quarter of 2005 ($4.3 million), in addition to the second WCF advance, to procure commodities, but new contributions were available in time to avert this move.

V.2.2. Local procurement

Uganda has two harvests a year - November/February and June/September - the latter being the main harvest. Both have been exceptionally good in 2005 and this has helped WFP to take full advantage both of prices and well spaced delivery, thus ensuring that the implementation rate stays at an acceptable level. If anything, the CO had to be attentive not to affect the market unduly, because with its interventions for Uganda programme and for WFP activities in neighbouring countries, its share of the local maize market reached 40 percent in 2005, with 170,000 tons purchased at a cost of over $40 million.

WFP was helped in its task by very strong donor support, where, with the exception of two major donors, all pledges are in cash and donors expect the Programme to procure locally. Local procurement is encouraged to help increase local production and to improve quality. This has led to WFP partnering donor technical assistance to introduce quality controls within the trading community, and promotion of small farmers associations and cooperatives, by allocating a percentage of its contracts to them. With around 8 percent of its purchases coming from small farmers in 2005, WFP was hoping to increase to 20 percent in 2006. It must be borne in mind, however, that maize, the principal crop purchased,[1] is not a universal common staple in all parts of Uganda (although its consumption appears to have increased recently), with only part of production being consumed locally.[2] Therefore, the prospects of future increased maize production will depend to a large extent on its export potential.

Local purchases have been instrumental in getting food to the beneficiaries on time and, when procured near the project geographical area, have helped save on costs of transport, but it is impossible to calculate the resultant (modest) savings. It has been suggested that local procurement has given rise to total savings of $12.8 million, of which LTSH costs were $9.7 million and commodity costs $3.1 million, calculated as follows:

	Quantity (Tons)	Overland rate	Overland Savings	External rate	External Savings	Commodity Savings	Total Savings
WCF 1	45,431	97	2,644,084	83	2,262,464	640,364	5,546,912
WCF 2	42,280	105	2,663,640	83	2,105,544	2,441,741	7,210,925
	87,711		5,307,724		4,368,008	3,082,105	12,757,837

This savings calculation is hypothetical, however, as the calculation is based on the assumption (in the original project submission to the EB) that 60 percent of the commodities would come from abroad and would need to be transported by sea and overland to Uganda. Commodity savings are based on a comparison of the original operational plan price and the actual price. The food quantities on which the savings were calculated – WCF collateral - were procured locally because donor contributions were cash based. Even without the WCF loan the commodities would have been purchased locally, however, though with a somewhat later timeframe. In due course there should be a budget revision reflecting the actual commodity situation and the 'savings' will disappear in the reduced total PRRO budget.

[1] WFP also purchases fairly significant tonnages of pulses locally, when available.

[2] Other principal food sources in the national diet are cassava and plantains. Approximately 60 percent of national maize production is for domestic consumption and 40 percent for the commercial market.

There is insufficient evidence to show that Uganda office has entered the market, thanks to WCF advances, at a time when prices were low, thus effecting savings. In an analysis of the prices made by the evaluation team, it would appear that July/August (when the loan was used for procurement) prices were still quite high and there is little to suggest that the second procurement campaign, lasting until February 2006, was focusing on savings either.

It seems that the Uganda BPR facility was used primarily to bridge the anticipated pipeline breaks and to ensure that no major ration cuts would need to be made. Thus, the WCF facility has effectively helped to maintain the distribution level at a high rate and has ensured that no cuts in beneficiary numbers had to be considered. In fact the numbers slightly exceeded 100 percent during certain periods – e.g. July to September 2005.

V.2.3. Donor support

The WFP programme in Uganda has the advantage of having strong donor support and the added benefit that most of these donors have a flexible and an almost totally untied contribution approach. This has allowed a perfect match with the WCF loans, in that all forecasted contributions could be 'revolved' and all the loans reimbursed on time. The donor list is long and the two major donors who do not have the same level of flexibility can be accommodated in the context of a rather large budget and commodity mix.
The support is based on the current 'peace dividend' both inside Uganda and in Sudan. At present, refugees do not seem ready to rush home and neither do the Ugandan internally displaced persons (IDPs), who continue to be harassed by the LRA and confine themselves to protected urban centres and camps. Without a boost in the 'recovery' side of the PRRO, there may be a drop in support, and future WCF or other loans, if requested, may need closer scrutiny.

A particular feature of Uganda is the close contact between the Country Office and its donors at local level. The Country Director has been very proactive in donor contact and resources mobilization, with the support of his staff. The donor community not only gives its backing to the peace process in the two countries (Sudan and Uganda), but is also a partner in developing Uganda's agricultural sector and a promoter of food security at policy level. Therefore, it has a vested interest in providing its contributions to WFP in cash and most have not placed any specific conditions on their pledges, such as bag markings, or insisted on new procurement contracts, rather than reimbursement within the BPR facility.

It seems that most forecasting of future contributions is done by the Kampala office, with close dialogue with FDD/HQ, and is double checked and reconfirmed, both as to the value of contributions and conditions attached to pledges. The result is that there have been no failures with regard to the predicted donor contributions, with only a minor adjustment of one donor pledge from an expected $2 million down to $1.5 million. While in theory the strong donor support and relative stability of their pledging could have guaranteed a pipeline without interruptions, their pledges depend on budget cycles and cash contributions do not always come in when they are needed most. It is difficult to see that a better WFP management of its resources could improve this process significantly. Therefore, the introduction of the BPR facility has been a valuable additional instrument in managing the food supply to a very large number of WFP beneficiaries, most of whom depend to a large extent on WFP support for survival.

V.3. Management issues

V.3.1. Reporting on loans

Uganda BPR reporting is controlled through two focal points, one in Finance and the other in Logistics. There are weekly pipeline meetings, chaired by the Deputy Country Director, and attended by Programme, Finance, Logistics and Procurement staff. These meetings ensure that the resources pipeline adequately responds to the planned implementation targets. No major issues of understanding the process or the tools have been encountered. The message passed on to the evaluation team was that the one of the key elements (Logistics) has COMPAS experience and that this helped them in the task of managing the spreadsheet without difficulty.

Nevertheless, the Regional Resource and Financial Analyst (RFA) commented that spreadsheets do contain errors which he has been noting regularly. The issue is likely to be connected to data downloaded from COMPAS and hand corrections, which should be resolved once WINGS II comes on stream (though not before 2008).

From September 2005 reporting on BPR has been decentralised from HQ to the field, which basically meant a transfer of authority to the Regional Bureau as an intermediary between the CO and the HQ, while in the past the CO dealt with HQ directly. The BPR package is now submitted by the 20th of each month to the Regional Director, after a preliminary consultation on the draft with the RFA. The quarterly reporting is done directly to Rome by the CO, but after prior scrutiny by the RB (RFA). The RB intermediary role helps to ensure that a broader view of the issues relating to lending, and to the process that controls it, is maintained.

V.3.2. Relationship with the HQ

As noted above, there has been a shift as far as the BPR package is concerned, to the ODK Bureau in an intermediary oversight function. This has not made a significant difference to the way loans are handled between the Uganda Country Office and HQ, apart from introducing a clearance mechanism and a consulting focal point, with experience of other BPR clients such as DR Congo and Ethiopia.

Uganda CO is in direct contact with ODMP on bank matters and participates in the quarterly teleconferences arranged by the HQ ODM Division. There is no evidence that the CO has had major difficulties in corresponding with any of the units in HQ dealing with WCF matters or that it had problems with ODK RFA. If one could copy the Uganda model to other individual countries which may be rolled-out within the New Business Model (NBM – successor to the BPR), it is likely to be a success. It is clear, however, that staff engaged on the BPR in the Uganda Country Office has more relevant experience than most colleagues in COs not yet acquainted with the process.

Regarding forecasting future contributions, as noted above there has been close field cooperation with donors. Both HQ and the CO communicate adequately so that there are no breakdowns in communications. Whether this situation can be copied in other field stations is a matter for serious consideration. Clearly, in Uganda it has helped to keep donor interest in the WFP programme and has ensured their better understanding of the advance financing model. It is likely that, had the CO resorted to PCA draw-downs in internal budget transfers, there would also have been adequate coverage from later contributions.

V.4. Capacity issues

V.4.1. At Country Office

The Uganda office appears to be well staffed to cope with the BPR process and any changes which might arise with the advent of new tools in the NBM. This is partly due to some sharing of staff with the Regional Office. The overall impression was that there was no capacity issue attached to the advance funding facility.

In discussions with the ODK staff, however, it was understood that, apart from those countries which are already part of the BPR pilot (Ethiopia and DR Congo), there was no other country in the ODK region currently capable of managing the NBM when it is offered to them. The ODK assessment made in the Republic of Congo (Brazzaville) and led by the RFA, in anticipation of a possible NBM roll-out, noted that a small country office such as the Republic of Congo has only a minimum staff to cope with a normal workload. While it is unlikely that such a small WFP country office would be offered the WCF (only three donors support the country), this confirms what has been said in other regions (ODJ and ODD) about lack of capacity at the country office level for this kind of financial management.

The ODK RFA spends all his time on the BPR already and claims that all three pilots that he currently scrutinises require much attention. It is unlikely that he would be able to provide adequate support if many new countries were to be added to the current list of BPR clients. It was also strongly argued (in a BPR Regional Task Force Meeting) that much guidance and training will be essential if there is a more extensive roll-out.[3]

V.4.2. At Regional Office

Currently there is one dedicated RFA officer occupied full time on BPR work. He scrutinises the monthly package submissions and provides feed-back to the country offices, then clears these before they are submitted to the HQ. He also vets the quarterly BPR submissions and participates in the teleconferences. The RFA participates in monthly Regional BPR Task Force meetings, which are chaired by the Head of the ODK Programme Unit. With the present number of ODK countries participating in the BPR (i.e. three out of eleven), there is no need for strengthening of the RFA function. Should there be an expansion to other countries, it is likely that some additional capacity at the Regional Bureau level, in addition to individual country level, may be necessary.

It is noted that the new tool being developed for the NBM will be much easier to use than the current spreadsheet, because it will allow all data to be automatically downloaded from RMS, WINGS and COMPAS. Any increase in capacity will have to take account of this improvement.

[3] The ODK region currently covers eleven countries – Burundi, DR Congo, Republic of Congo (Brazzaville), Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Somalia, Tanzania and Uganda. Three of these eleven countries are BPR pilots (DR Congo, Ethiopia and Uganda). Sudan, which is also a BPR pilot, was recently taken out of the ODK region and is now a stand-alone office. The current ODK region is estimated to utilize over 25% of WFP's global resources.

V.5. Impact

1. Although there has been no *scientifically computed* calculation of the impact of the BPR process on beneficiary figures, their number went up to over three million during the months of July-September 2005 (against a planned 2,893,029) and it is likely that this was primarily the result of the advance funding facility being made available and resultant procurement actions which were implemented between July and August 2005.
2. The commodity implementation rate appears to have been stabilised in August 2005, which corresponds with the probable delivery of commodities procured as a result of the WCF being available.
3. There is no record of any reduction of rations, or exclusion of beneficiary groups or activities, except when caused by insecurity, and it is assumed that guaranteeing the resource flow has been, at least in part, achieved with the help of WCF.
4. There would have been savings as a result of WCF advances if procurement actions had been done at the time of harvest and low prices. This was not evident, but procurement was effected when commodities were required and, in some cases, they took place near distribution areas, thus with likely savings on transport. This is not documented however.
5. There is a positive effect on management of resources, pipeline and project implementation through the introduction of the spreadsheet and consequent need to collect and collate data on a regular basis, with participation of all key units in the CO as well as the RB.
6. So far the financial cost has been modest, in that only the RFA is a dedicated BPR official. All others are co-opted and appear to be able to handle BPR responsibilities alongside their other tasks. In general the new funding tool seems to have substituted existing work with minor additions to the workload.

V.6. Conclusions

1. The CO has embraced the BPR with enthusiasm and has handled it well.
2. Regarding resources forecasting and resource mobilisation, a lesson can be taken from the Uganda experience, where close links have been established with donors at field level and regular contact has been maintained with FDD in Rome.
3. Uganda CO has placed much stress on parallel activity, which is one of helping to develop the agricultural sector and marketing, within a broader plan of poverty reduction, and sees advance funding as one of many instruments which may help in this strategy.
4. There is a concern, expressed by the RD, that the BPR facility is geared specifically to countries with good donor support. WFP may need to consider how to deal with less popular countries and operations with relief needs.
5. It was pointed out that WCF caters almost exclusively to EMOPs and PRROs, but not to development programmes (with the exception of one pilot in China). The WCF for Uganda was for the PRRO. In Uganda, the WCF should also be applicable to the country programme (development) which is expected to benefit from cash contributions, which

can be used for local/regional procurement. It is expected that most of the major donors will contribute untied cash for local purchase of commodities.

6. It has been pointed out by ODK that the RB was not involved in negotiations with donors on the DR Congo resources situation and that they could have been in a position to help prevent a situation that has resulted in a possible default with regard to a WCF advance.

Annex VI – Sudan case study – Emergency Operations 10048.3, 10339.1 and 10503.0

VI.1. Country Context

VI.1.1. Original Project Data (as approved)

EMOP number	10048.3	10339.1	10503.0
Metric tons of food	267,899	453,216	730,955
US$ value	301,591,414	438,234,341	746,004,887
Beneficiaries (number)	3,200,000	2,310,000	6,100,000
Duration	1 Jan/31 Dec 2005	1 Jan/31 Dec 2005	1 Jan/31 Dec 2006
Caseload	Populations affected by war and drought	Populations affected by war in Greater Darfur	Populations affected by conflict
Approval date	31 December 2004	17 December 2004	19 January 2006

There were several budget revisions to operations 10048.3 and 10339.1 since their approval, justified by an increase in the number of beneficiaries, ration scales and costs of delivery. The successor EMOP 10503.0 effectively combines all relief interventions in the country into one, currently with the exception of a small PRRO for refugees.

VI.1.2. Working Capital Financing (WCF) and PCA (Project Cash Account) Loans within BPR

WCF	EMOP 10048.3	April 2005	$34,700,000[1]	fully reimbursed by March 2006
WCF	EMOP 10503.0	Dec 2005	$25,000,000	” ” ” ” ”
PCA	EMOP 10339.1	April 2005	$28,000,000	partly reimbursed (outstanding $8,480,598)

There have been two additional advances drawn upon by Sudan in January 2005, viz.:
$15,232,550 from the Direct Support Costs Advance Facility (DSCAF), fully reimbursed, and
$37,301,234 from the Immediate Response Account (IRA), of which $8,424,069 is outstanding.

The first of these loans was called to cover DSC costs (staff and related costs) against the OLS EMOP, and the second to procure commodities for Darfur.

VI.1.3. Background

The emergency operations which benefited from the BPR process follow a series of relief interventions made necessary by civil strife and food insecurity, caused by displacement, frequent droughts and occasional flooding. The conflict between the Government of Sudan and the Sudan People’s Liberation Movement/Army began in 1983, and WFP engaged in assisting the stricken population, both through northern corridors (using Port Sudan) and through access from Kenya. Other areas in the east and west of Sudan, notably Red Sea and Kassala States and Greater Darfur, were added to the relief intervention.

[1] All $ figures in this report are for US dollars.

The main obstacles to success for the WFP programme have been insecurity, access and political factors, often leading to access being formally denied, as well as erratic donor support.

A WFP evaluation of the three phases of EMOP 10048 (which preceded phase 10048.3) concluded that their funding was respectively 75.2, 76.8 and 61.9 percent of target (January 2001 – March 2004). Distribution rates, although affected by shortage of resources, also suffered as a result of insecurity and access problems. In terms of commodities delivered, 66 percent of what was planned for distribution was actually delivered to final distribution points over the three years. Sixty-three percent of the planned number of beneficiaries for the combined northern and southern sector was reached in 2001, 51 percent in 2002 and 52 percent in 2003.

Traditionally, WFP Sudan programme has relied heavily on one major donor's support (52 percent in January 2004), and these commitments, as well as those of other donors, are usually announced and made available at certain times of the year, not necessarily convenient to programming and logistics planning, which has to take account of the lean season requirements, the rainy season and access. As a result, borrowing from WFP's other operations in the country (or region) and from the Government's strategic reserve and other sources has often been necessary. Local procurement accounted for only 6.5 percent of the total input of food aid in the period covered by the evaluation, due to lack of commodities on the market.

The evaluation team concluded that WFP should have addressed, already at an earlier phase of the relief operation, the funding and supply cycle. It proposed that a preliminary appeal be issued for a base quantity of food to be put into the pipeline early in the year, and that WFP should change its planning cycle to January/December from April/March. It also suggested that the BPR, being introduced at the time the report was being issued, could help to better synchronize deliveries with programming requirements in the Sudan.[2]

The evaluation mission's recommendation to change the project cycle appears to have been heeded, with the two subsequent phases of emergency operations, for the south and transitional territories, and for the north or Greater Darfur, being programmed to start on 1 January 2005. Furthermore, Sudan was included in the list of pilot countries for the BPR as of March 2005. Borrowing cash to fill gaps in the pipeline began in January 2005, however, with a request for IRA funding and a call on the DSCAF to allow for extension of staff contracts and related costs for the OLS operation.

One of the January 2005 Darfur weekly reports showed pipeline breaks for salt and sugar in January, and the Southern Sudan emergency report likewise indicated a pipeline break and reduction of sugar ration in the same month. February reports warned of serious food pipeline gaps from May onwards. With the increasingly volatile security, especially in Darfur, the fielding of donor, AU and UN missions, and international media attention to the humanitarian crisis in Sudan, WFP was very concerned to prevent a break in its commodity pipeline. An added factor was the follow up of the peace agreement in the South, where projections for the return of the IDPs and refugees were high. There were also high hopes of strong donor backing for the proposed WFP programme in these emergencies.

[2] OEDE/2004/5 – Full Report of the evaluation of the WFP Emergency Operations (EMOPs 10048.00/01/02) in the Sudan: Food Assistance to populations affected by war and drought.

VI.1.4. WCF loan submissions and PCA adjustment

Both emergency interventions entered a new phase in January 2005 with a carry-over of commodities from previous phases: 86,000 tons from EMOP 10339.1 and 56,000 tons from EMOP 10048.3. The Darfur operation used the IRA money (drawn in January 2005) to purchase some 49,000 tons of commodities to avoid a major pipeline breakdown in certain commodities and, as its contribution forecast was quite good, did not expect to call upon WCF at all. However, by March it became apparent that the donor lead time was unduly long and gaps in the supply chain were identified for the fourth quarter of the year. In an endeavour to maximise the project's internal working capital, and in anticipation of forthcoming contributions, the Sudan office decided to take advantage of the PCA facility and drew $28 million from LTSH to procure additional commodities (61,500 tons) for pre-positioning before the rainy season.

The two loans ensured that no downscaling of rations took place and there were no pipeline breaks. It is claimed that there was a 33 percent increase in the number of beneficiaries between April and July as a result. When the Director of the Office of the Executive Director visited Sudan in August 2005 hopes to revolve the PCA 'loan' and repay IRA (while showing an outstanding figure of $20.4 million from both loans combined) were high. One of the projected EU contributions for the reimbursement of the PCA advance was erroneously counted twice by HQ, however, and another could not be revolved after bags were marked with the donor's name because the purchase was made in countries which the donors did not accept. Other donations could not be applied for reasons of retroactivity or bag markings. As a result, part of the PCA advance remains outstanding. Regarding the balance of IRA loan, the Sudan office advises that HQ has indicated that it may be converted into a grant.

As for the Southern Sudan relief operation – 10048.3 (which also incorporates emergency food aid requirements for the Three Areas, the East and the Central Belt) – the peace agreement, signed in early 2005, made it imperative for WFP to have a full pipeline in readiness for the return of IDPs from the north back to the south, as well as refugees from Ethiopia, DRC, Uganda and Kenya, within a fragile food security and political situation in the country. A call on DSCAF was made to draw $15.2 million, and a WCF loan of $34.7 million was obtained, to cover the cost of 64,000 tons of food pre-positioned for the operation as well as the staffing costs. This was in addition to 56,000 tons carry-over from the previous phase of the emergency. Although both loans have been reimbursed as of March 2006, it is significant that collateral contribution forecasting has been a major challenge in this case.

In anticipation of approval of a follow-up EMOP 10503.0, to commence in January 2006, another WCF loan of $25 million was approved in December 2005. Despite the heavy indebtedness and in-country stocks without associated costs, WFP Sudan was able to reimburse this loan in March 2006 from a USA contribution. However, its pipeline for certain commodities such as sugar, pulses and salt remained fragile and a proposal to borrow $35 million from WCF was submitted to the bank on 31 March 2006. (The first submission, in mid-February 2006 was not accepted). At this time WFP stocks in Sudan stood at 227,199 tons, plus 23,636 tons in transit and 67,717 tons on the high seas. Altogether, without looking at the details of the food basket coming in, this would be adequate for about four months' distribution at the 83 percent implementation rate set in January 2006, and reduced distributions in May and June. However, certain commodities, such as salt and sugar, were at very low level and would be inadequate in

May already. Other commodities would have run out after July, which explains why advance funding was again being requested.

VI.2. Resources mobilisation, pipeline and procurement

VI.2.1. Resources pipeline

The two emergency operations (combined into one as of 1 January 2006), targeted 5.2 million beneficiaries in 2005, but at their peak during the year they reached 3.8 million people, or 73 percent of the target. This was basically in line with contributions, even if distribution capacity, both logistics and that of partners, had some negative effect. The Southern Sudan operation showed a 77 percent commodity shortfall in April 2005 and, as this period corresponded to the beginning of the 'hungry season' as well as the rainy season, the shortfall was of particular concern. The Darfur operation, highly publicised in the media, was facing a major expansion with the 'worst-case' scenario predicting a 3.25 million beneficiary caseload, and thus also short of commodities. There was significant donor pressure to accept this planning figure.
Filling the pipeline became a first priority, therefore, and the various borrowing options were all taken advantage of (DSCAF, IRA, WCF and PCA). In determining the validity of the forecasted collateral contributions, this has to be seen in the light of the atmosphere created by the media during this period: donor reaction was generally expected to be positive. A list of potential 'high' forecasts was long, but this turned out to be misleading, because the conditions attached were, in the view of the Sudan office, either ignored, incorrect or underrated, with negative results not only on the risk assessment but also on the capacity of the office to continue to perform. Considerable tonnage of food was available in March 2006 without the corresponding associated costs to allow it to be transported and distributed.

Several of the problems appear to be connected to the fact that Sudan relies to a large extent on one major donor, for its resources pipeline. Moreover, the contributions are mostly in-kind and their suitability as collateral for loans is therefore very limited.

Unfortunately, not all donors pledge on a full cost recovery (FCR) basis and even those (the majority) that do sometimes attach conditions to contributions which make it difficult to revolve them in reimbursement of loans. The most common relate to bag markings which should indicate the donor who makes the pledge. This often poses difficulties because the donor may not be known when the loan is used for procurement. It may happen that bags are marked with a donor's name and, when the contribution comes, the pledge may still be impossible to apply because the country where the procurement has been made is unacceptable to the donor. Many contributions cannot be applied retroactively to revolve loans which were used for commodities already distributed. Some donors insist that only new procurement actions can be funded from their pledges.

In the Sudan many of these constraints combined to leave a big gap in what initially looked like a very encouraging matching list of contributions. Worse, operational reality required that the Programme continued to buy and distribute commodities to stricken victims of the disaster in the south, centre and west of Sudan, and so incur further debts and obligations. As of date of writing this report, in March 2006, WFP Sudan had on hand 69,000 tons of food commodities for which it had no easily identifiable cash to move and distribute. In addition, it still had to reimburse the balance of the PCA loan and was waiting to hear if the IRA loan balance could be written off.

The IRA 'loan' was taken at a time when the crisis in Darfur was at its peak. It was not intended to be a 'grant', and was regarded simply as another borrowing option, in addition to WCF and PCA. However, in recent discussions connected with BPR, the low level of funds in IRA, and the apparent reluctance of donors to replenish the facility, prompted a statement by WFP senior management that only in exceptional circumstances the call on IRA will be accepted as a grant.

It is pertinent to note that there is another fund in Sudan, called the Common Humanitarian Fund (CHF), operated by OCHA, now at a level of approximately $121 million, which can be used by the humanitarian community in Sudan for their interventions. WFP has applied and has been granted a total of $26,874,483 towards the costs of its programme in the country, including food commodities, their transport and associated costs. Only $13 million covers food aid; the balance covers WFP Special Operations. This is a one-time grant without ties, but in accordance with a well defined list of requirements. How much of this can effectively be applied to cover shortfalls in other donor contributions is not known, but it is unlikely to be a solution to WFP Sudan's financial problems.

Although there is also a UN Central Emergency Response Fund (CERF) run by OCHA, recently set at a target level of $500 million (with current availability of about $220 million), 90 percent of which can be a grant, its use for Sudan would probably not be appropriate in view of the separate CHF in place in the country, also managed by OCHA. It is significant that EMOP 10503.0 had received a loan of $12 million from CERF, however.

Examination of the monthly and weekly reports on the operations and their funding status during 2005, bearing in mind the past history of donor pledging as described in the Evaluation Report referred to earlier, shows that contributions have traditionally been late in coming and WFP had to continually bridge gaps ahead of the rainy season and address constraints (such as fuel shortages, security and logistics capacity problems). It is unlikely that it would have been able to respond appropriately to the Darfur emergency or the anticipated refugee repatriation in Southern Sudan, without the BPR and other borrowing options.

There clearly are lessons to be learned in dealing with donors and understanding their own limitations, both with regard to budget cycles and conditionality of pledges and in classifying the pipeline of contributions and their compatibility with the loans that are planned. The heavy reliance on one major donor to fund the Sudan programme is a risk.

The WFP operational network in the Sudan is vast and expensive, but is a necessity in the prevailing conditions. Cost of delivery is estimated at just over $1,000 per ton (all costs included) and is highly related to the lack of infrastructure, difficult security and the expense of making offices and WFP warehouses MOSS compliant. Long lines of communications, and the long (four months) rainy season which makes roads impassable, require forward planning. The BPR facility (or similar advance funding arrangement) is an absolute necessity, therefore, as long as donors cannot pledge well ahead of time. WFP Sudan estimates that, for the Darfur operation alone, the loans have allowed feeding of more than two million people between June and September, when only about 1,400,000 could have been fed had the loans not been available – i.e. an extra 600,000 or so. Further structured discussions with the donor group interested in

Sudan will be necessary if the Programme is to continue to take responsibility for feeding such large numbers of people on a continuing basis, as has been done so far.

VI.2.2. Food Procurement

Sudan has an erratic record with regard to its internal food production and has rarely been able to meet its domestic consumption requirements, the balance being covered by food aid and commercial imports. WFP's ability to procure locally has been limited, therefore. Its record cereal procurement in 2004 of over 100,000 tons of sorghum was about four times the annual average of the previous four years and is unlikely to be repeated.

According to the FAO/WFP Crop and Food Supply Assessment Mission (CFSAM) of February 2006, the 2005/06 harvest has been about 55 percent higher than that of the previous year's very poor crop, but its overall coverage of food needs is described as adequate, on the assumption that 1.3 million tons will be commercially imported. The Government has announced its intention to buy 500,000 tons of sorghum ("dura") to put into its strategic reserve, at a price of $240 a ton, when the international price is currently at $120 a ton. There is little prospect for WFP to intervene on the local cereal market, therefore. The CFSAM recommends food aid of 800,000 tons for the current year. In these circumstances, the use of the BPR facility is limited to ensuring continuity in the pipeline and maintaining the high implementation rate. Local purchases within Sudan can only be effected (at present) with regard to small quantities of salt, but iodised salt is not available in sufficient quantities (however, measures are being taken to increase capacity to produce iodised salt). The same applies to sugar, which can be purchased exceptionally and at high cost, and, occasionally and with caution, to cereals. In other words, local procurement is currently a solution for most urgent cases only. This clearly restricts the use of those contributions which stipulate local purchase within the country as a condition attaching to the pledge.

As a result of the above, there will be few savings on LTSH, as most purchases are done in the international market with some in neighbouring Uganda and Kenya. There is a possibility that pulses could be procured in Ethiopia this year. Procuring internationally (by HQ) adds to delivery time and to overland transport costs. There is no difference in overall cost between procurement based on WCF or regular cash contributions, unless a loan is synchronised with the market price low points. The loans for Sudan were taken to allow pre-positioning, thus irrespective of individual commodity price on the international market. Transport savings can be generated if the pre-positioning allows substitution of overland for aircraft transport. WFP is making every effort this year to reduce air transportation, but this decision to cut costs is not directly connected to the use of the BPR facility.

VI.3. Management issues

VI.3.1. BPR reporting

There is a BPR focal point engaged full time on the process in the Khartoum office. She coordinates inputs from Finance, Pipeline, Logistics and Programming, and submits the consolidated report to the Area Coordinators, who cover Darfur, Southern Sudan and what is known as CET – Central East and the Three Transitional Areas. It is the Area Coordinators who make proposals regarding critical pipeline breaks, comment on implementation rates and future prospects, and eventually request action, via the Regional Director, vis-à-vis BPR loans and reimbursements, or internally if PCA or DCSAF are to be considered. The BPR Focal point reports to the Sudan Country Director (now “Regional Director”). Finance has to consult with the field finance officers, and with the Khartoum based area finance officers.

Projecting expenditure is a complicated process in a vast country such as Sudan (which is approximately equal in size to Western Europe), where costs are high and improvised solutions often necessary to reach people in need. Similar communication and forecasting problems arise with logistics and programming.

VI.3.2. Issues of ownership, complexity and accuracy

The BPR initiative has been fully endorsed, with enthusiasm, by the Sudan Director and all his staff. It has been described as a ‘fantastic’ facility, which may still require some fine-tuning, but has become an excellent management tool. Most units in the Khartoum office appear to share in this view, with some concerns regarding the use of PCA as one of the BPR components, and forecasting as one of the risk areas. Much thought has been given to the issue of high exposure after contracting the various loans, and responsibility for decisions taken. As errors of judgement in forecasting are considered essentially HQ generated, there is a strong perception that responsibility for eventual default, and in any case ‘repair of the damage’, should rest with HQ or at least be shared. Thus, ownership of the lending tool can well be field based, but actions taken at the behest of HQ, such as the loans taken in April 2005, when a team from Rome came to Khartoum to ‘sell’ the new package in the atmosphere of high media attention to Sudan, should be a shared responsibility with HQ.

As far as the spreadsheet itself is concerned, this did not represent any major difficulty, all staff involved being fully conversant with it. The consolidation process worked very well under direction of the focal point. No issues of accuracy were raised in Khartoum, and the only problems encountered were similar to those in other offices, where delivery and distribution figures were coming from a long list of partners in many scattered locations and there was always a problem of being sure what was ‘in transit’ and what had actually arrived at extended delivery and final distribution points. However, even there, the Logistics staff members appear to have had a reasonably good idea of what was on the road and where stocks were located, as well as their quantity.

VI.3.3. Relationship with HQ Credit Committee

In general, the relationship with the HQ was considered tenuous, mainly as a result of perceived pressure on the Sudan Office to resolve issues which the field staff considered either to have been of HQ’s making or of shared responsibility. Although there was no specific distinction between HQ departments, it was clear that FDD, which projects the future contributions, was accountable for forecasting and for defining the probability of eligibility of contributions as collateral. At the same time, it was also apparent that when loans were taken up, field claims to have had concerns regarding the ‘match’ of some of the future contributions and that these reserves were ignored, presumably by the ‘bank’.

Moreover, whoever did the procurement in HQ and at whose urging, such procurement ignored certain conditions of the listed collateral donations by purchasing in countries which were not acceptable to the donors. Partly because of this, the Sudan office has been left with large quantities of food commodities for which there are no associated costs to cover their transport and distribution. There is also a view that, when the BPR was proposed to Sudan, little was done in way of training so that staff could understand the process and the risks inherent. This suggests that there is a 'disconnect' between the field office, which has the responsibility for implementing the largest single emergency in WFP and HQ. The conclusion is that much work needs to be done to create an atmosphere of cooperation and feeling of joint ownership of the BPR funding facilities, as well as the inevitable joint responsibility for the inherent risks. There will also be a need to relate straightforward loans with the overall funding requirements to allow the programme to continue functioning; in other words the need to mobilise contributions on a FCR basis is imperative, if the assistance programme is to succeed.

VI.4. Capacity issues

VI.4.1. Staffing and workload

The Sudan office appears to be well equipped to carry on with the BPR/New Business Model (NBM). It has some 200 international and 2,000 national staff in the country, admittedly in a vast territory, now divided into three main Areas (Darfur, the South and CETA) with over 37 offices in the field (area, sub and field offices) and hundreds of distribution points. It has partners among the international humanitarian community, both UN and NGO, and collaborates closely with the government.

At its main office in Khartoum the advance funding responsibility is shared between different units, who collaborate in a task force which meets regularly, with monthly and quarterly pre-scheduled meetings. The BPR focal point is fully employed on BPR matters and coordinates the process under direct supervision of the Deputy Director, and with frequent contacts with the Regional Director. Finance unit has two staff collaborating on the task force, with one spending half of her time on the inputs to the spreadsheet. The large number of sub-offices and distribution points require constant adjustment of costs and projections of expenditure, all of which have to be plotted in the spreadsheet. The Deputy Regional Director for Finance has supervisory responsibility for finance inputs. The pipeline officer advises that, although the BPR process required additional pipeline reports, it did not add significantly to her workload as she would have had to do the same or similar job were there to be no BPR process in place. There were additional reporting requirements however.

Logistics have a team reporting on commodity movements, but again this is work which would have had to be done in any case and the main difference is careful planning so that cash taken as loan from LTSH under PCA facility does not lead to a situation where funds are insufficient to move commodities when required.

Programme staff members, especially the Emergency Coordinators, have a particular responsibility to oversee performance and implementation, but their direct involvement is limited to attendance at task force meetings and decisions on borrowing. At present, procurement has very little scope to contribute to BPR process.

Overall, there is adequate capacity to deal with WCF and other advance funding with current staff and there does not seem to be an overload of work. Thus, no additions to staffing levels should be necessary.

VI.4.2. Additional costs

Apart from the BPR focal point and partial involvement of one finance officer, the additional costs directly imputable to BPR are marginal. With an EMOP budget of $746 million, these costs are modest. In the same light, one can conclude that the extra communications costs in discussions with field offices and HQ are relatively minor.

VI.4.3. Guidance and training

Although the process of contributing to and filling in the spreadsheet and in generally dealing with the BPR facility presents no major difficulty for the staff of the Sudan office, everyone has commented that initial training and guidance given was inadequate to understand the complexity of issues relating to borrowing and revolving of contributions. In other words, if the tool was manageable, the process was seen differently. Future guidance material should provide for all risk elements, not only those related to WCF and its collateral but also to PCA. Training would also have to cover the donor dimension, especially any conditionality clauses attaching to forecasted pledges and options available for revolving of contributions.

VI.5. Impact

VI.5.1. Management and implementation of the operations

The introduction of the BPR facility has been very helpful to the management of relief operations in Sudan. Similarly, and in line with other regions and countries which have been included in the BPR pilot, there is a general agreement that the discipline and methodical attention required in gathering information and completing the spreadsheet has been a positive innovation. It may sometimes have added to the workload, but it has allowed staff to see and control better the whole implementation cycle of the relief programme. It has been particularly helpful for identifying gaps, taking remedial action, deciding on pre-positioning options and helping to plan logistics solutions, including decisions on air or land transport and on borrowing between operations, such as Southern Sudan and Darfur. It has also been essential as a means of deciding on appeals to donors and calling for loans.

The principal motivation for calling for loans has been the risk of having gaps in the pipeline, and the process allows a quick view of the situation. It has also helped to plan the implementation rate in line with resources available, and to adjust it as resources come in. On the practical side, it has been indispensable for planning delivery in line with the seasonal cycle of rains in different parts of the country.

There has been no attempt to calculate how many additional beneficiaries have been reached as a result of the availability of the BPR advances, probably because the loans have served primarily to balance the food ration, by procuring commodities which were short in the food basket. What seems clear, however, is that a relatively full ration scale could be maintained during the rainy season for Darfur in particular, when otherwise serious shortages were imminent.

VI.5.2. Savings

It is impossible to ascribe savings to the use of BPR facility in the context of operations in Sudan, unless we could link decisions on use of land transport instead of air transportation. Local purchases have been few, and those carried out locally have been at a cost which was well above the international price, removing any possible savings. As there was no deliberate plan to purchase commodities internationally at time of low prices, and procurement was essentially a question of having food in time to fill gaps in the pipeline or in position to be moved prior to the onset of rains, it is not possible to claim that there were any savings as a result of pre-financing of procurement actions.

VI.5.3. Negative effects

Borrowing, both within the BPR context and outside, has led to numerous problems, which occasionally caused misunderstandings between the Sudan Office and HQ. Most are related to the nature of the collateral and not directly to the loans themselves. Quantities of commodities purchased, coupled with lack of funds to transport and distribute as a result of inapplicable collateral, have caused major cash liquidity problems and reduced the ability to resort to additional borrowing. It is uncertain if the apparently full pipeline has delayed donor pledging or even discouraged donors from making new pledges. It is possible that pledging may be affected in the second half of 2006, prior to termination date of the current emergency operation, because donors may assume that there is adequate food to cover the needs.

VI.6. Conclusions

1. The BPR facility has been a positive innovation for the WFP Sudan programme, as it has allowed it to fill the food pipeline, particularly for Darfur, in the two emergency operations in 2005 and in the follow-up combined one in 2006.
2. The effect on the beneficiary population has been positive in that rations could be maintained at an acceptable level, and the number receiving assistance was high throughout the ‘hungry’ season in 2005. It is suggested that 33 percent more beneficiaries (2 million instead of 1.4) could be reached as a result in Darfur between April and September 2005.
3. The BPR tool is considered a welcome instrument in management of the operation, particularly the contribution side compared to the implementation rate.
4. Forecasting of contributions matching the loans taken has been a serious problem which caused serious difficulties for reimbursement both of WCF and PCA loans.
5. The internal loan facility (PCA) has been used without adequate guarantee of matching contribution. This has led to problems for transport and distribution of food commodities already purchased. At the end of March 2006, WFP in Sudan had a stock of about 70,000 tons of food without associated costs for their utilisation in the programme.

6. In addition to BPR facility, WFP Sudan has called on the IRA to help it fund the EMOP. There remains an outstanding amount that has not been reimbursed and this is apparently being converted into a grant. However, this call on bridging financing, as well as other funding options taken up (such as CHF), indicate that WFP Sudan's resource pipeline relies very heavily on temporary funding. This may lead to potential losses to commodities that cannot be moved for lack of funding, and be a risk to its ability to carry out its mission.

7. The internal organisational arrangements in WFP Sudan to follow-up on the BPR process are adequate and coordination is good, What could be seen as a communication gap between Logistics and Area Coordinators, when a decision to draw funds from LTSH to procure commodities to fill a pipeline gap was taken in 2005, was in fact a question of positive interpretation of the donation forecast. PCA drawdowns should preferably be considered on a par with WCF loans and have confirmed contributions as collateral.

8. There has been a problem with forecasting contributions as collateral for loans. Whether this is an issue of communications or a simple error, the fact remains that accurate forecasting is a condition for the BPR process to function correctly. Clear definition of conditions being applied to pledges should be made available.

9. Although there is no firm basis to claim savings as a result of BPR practice being introduced, possible local purchases when conditions are favourable, may allow such savings to be made. Furthermore, reducing air transport in favour of land transport (by pre-positioning ahead of the rainy season thanks to advance funding permitting early procurement) has and will result in savings.

10. Reporting to donors on the pipeline has been one of the ways to alert them to the possible gaps and mobilise support. However, good status of the pipeline, due to procurement as a result of BPR funding, may have led donors to believe that pledging is either not urgent or not necessary. In essence, there is a need to issue clear guidelines (from HQ) regarding the type and content of pipeline reports which a country office can issue to donors. Should it contain the BPR commodity tonnage or not? Moreover, what type of resourcing information should be provided, to ensure that this is consistent with the shortfalls and delivery situation being communicated to donors.

Annex VII

TERMS OF REFERENCE FOR THE EVALUATION OF THE WFP BUSINESS PROCESS REVIEW (BPR)

Background

In March 2003, WFP launched a business process review which aimed to maximize the utilization of project resources and to improve the on-time availability of food to beneficiaries. The BPR was implemented in five pilot projects over the course of 2004.

Following the Executive Board's (EB) continued support to financial policy changes and expansion of the working-capital financing (WCF) in February 2005, WFP has implemented the new business model in four additional country operations, for a total of nine by September 2005.

In February 2005, the Board endorsed the Secretariat's plan to continue implementing the recommendations of the business process review (BPR), and approved two financial policy changes: authorization to finance operations on the basis of forecast contributions; and approval of expenditures during project preparation so that the food pipeline can be filled in advance of the project start date. The Board also authorized the roll-out of working-capital financing (WCF) to a maximum of seven additional operations.

Since June 2005, in anticipation of organization-wide implementation, WFP has institutionalized the new business model in the Operations Department and analysed the results to date, in order to finalize the roll-out strategy for the current year, 2006.[1]

Up to September 2005, from a loan ceiling of US$180 million, WFP had approved US$140.4 million of working-capital financing (WCF), 73 percent of which had been repaid. By the end of 2005, the new business model had been running in two emergency operations (EMOPs) in Darfur and southern Sudan, nine protracted relief and recovery operations (PRROs) in the Democratic Republic of Congo, Indonesia, the Occupied Palestinian Territory, Uganda, Ethiopia[2] and the regions of West Africa Coastal and Southern Africa, and two development programmes in China and Ethiopia.[3]

Operations have also used the "single project account" (now called the "Project Cash Account" – or PCA)[4] which provides flexibility to maximize their internal resources (outside of the WCF).

The aim of these two facilities has been to help stabilize project funding needs and to enable WFP to feed more people in a timely manner, thus increasing the value of donor contributions to beneficiaries. The advance funding is intended, inter alia, to enable early local and regional

1 See document WFP/EB.2/2005/5-I/1 dated 4 October 2005 and entitled "Report on the Business Process Review". This document was for information and was not discussed at the Board meeting.

2 Ethiopia has not requested or received any WCF loans, however, and has used only internal (to the Country Office) resources loans.

3 The China Country Programme closed at the end of 2005, with the closure of the Country Office. Successor arrangements are being put in place in Beijing, but WFP no longer provides food aid resources to the People's Republic of China.

4 See BPR up-date of Mid-05 which states that the "PCA, Project Cash Account, is financing needs through internal resources, drawing on temporary surpluses to purchase food aid in time".

procurement of food commodities at a time when prices are lower and enable food to be available when most needed, typically during the agricultural lean season.

In an effort to refine the strategy for corporate training, roll-out and support, WFP has conducted a formal feedback project and hosted two workshops with representatives from the initial pilot operations, the operations under the new business model, regional bureau staff and Headquarters staff.

These initiatives have helped to define the needs to: (i) leverage regional capacity for analysis, roll-out and ongoing support to country offices; (ii) streamline the tool for capturing operational information and producing management information for country and regional projects; (iii) tailor the training methodology for technical expertise; (iv) harmonize reporting requirements; (v) refine current forecasting techniques; and (vi) define value to beneficiaries as a means of maximizing the results that can be achieved through the WCF lending portfolio.

In order to incorporate the lessons learned, WFP did not schedule further roll-outs for the remainder of 2005. Instead, it was expected that training would be developed, information systems finalized and the competencies of the regional bureaux staff to support the new business model mechanisms upgraded.[5]

The Programme Management Division (ODM) team supports the current operations under the new business model.

An internal review of the BPR has been undertaken and the evaluation will build on the findings of this review.

Objective of the evaluation

OEDE has been requested by Senior Management (following an earlier promise by the Secretariat to the Executive Board to conduct a review or evaluation of the BPR) to manage an independent evaluation of the Business Process Review from its inception in 2003 to date.

The primary objective of the evaluation is to assess the relevance, effectiveness and impact of the BPR. Relevance is defined as the extent to which the objectives of a WFP operation (or initiative) are consistent with beneficiaries' needs, country needs, organizational priorities, and partners' and donors' policies. Effectiveness is defined as the extent to which the operation's (or initiative's) objectives were achieved, or are expected to be achieved, taking into account their relative importance.[6] There are various definitions of "impact" in evaluation guidelines. Impact is a general term used to describe the effects, usually medium to longer-term, of an intervention (usually on a society). Impacts can be positive or negative, foreseen or unforeseen. Initial impacts are called results, whilst longer-term impacts are called outcomes.[7] Impact may include primary and secondary long-term effects produced by an intervention (or initiative).[8] Impact

5 As part of this process, a five day BPR workshop was held in Rome in November 2005, to review achievements to date and discuss next steps.
6 Source: WFP/OEDE M&E glossary.
7 Based on the EC general evaluation guidelines definition of impact.
8 Based on the OECD/DAC definition of impact.

looks at the wider effects of the project or initiative (including on individuals, gender, age-groups, communities and institutions).[9]

It is anticipated that the evaluation will provide recommendations for the next phase of the Business Process Review (now called "New Business Model" – or NBM), taking into account past experiences.

Management of the evaluation

OEDE has appointed the Chief Evaluation Officer (CEO) to be the manager of the evaluation, which will be conducted by an independent team of consultants, working under the supervision of the CEO. OEDE has made contractual arrangements to hire the evaluators and has drawn up their schedule of work, arranged country case study visits etc.

The Chief Evaluation Officer is being invited to relevant BPR meetings, including workshops, quarterly reviews, meetings of the credit committee etc., as an observer, during the period to March 2006. BPR evaluation team members may also participate in these meetings as observers, when they are in Rome.

A BPR Evaluation reference group has been constituted and will meet regularly, about once a month, until April 2006. The reference group comprises representatives of ADI, FDD, ODM, ODMP, OED/Change Management, OEDSP, OSDA, OEDR and OEDE.

In view of the internal audit of the BPR, OEDE is liaising with OEDA and engaging in an exchange of views and information sharing.

Methodology and evaluation schedule

The evaluation will be based on both document research and interviews of WFP staff, donors and others involved in, interested in or affected by the BPR.

The evaluation team will undertake background reading and research (one week at their home bases; second half of January 2006) based on documentation to be made available electronically or by courier (hard copies) by the Office of Evaluation to the three team members.

The team leader and first team member will be in Headquarters during the week of 23-27 January to finalize to discuss the approach to the evaluation. They will take this opportunity to have initial meetings with key WFP Headquarters staff involved in the BPR/NBM.

The second team member will join the team in WFP Headquarters in Rome during the week of 30 January – 3 February for in-depth interviews with WFP Headquarters staff involved in the BPR/NBM or with a close interest in the initiative. The Office of Evaluation (OEDE) will draw up a schedule of these visits.

The first two of the four field visits will take place during the two weeks of 4-19 February, to Johannesburg (ODJ) and Dakar (ODD).

9 Based on the ALNAP definition of impact, primarily as it relates to humanitarian operations.

The second two of the four field visits will take place in the period 14-24 March, to Kampala and Khartoum. These four field visits will be undertaken by the first team member, Bronek Szynalski, with participation of the CEO/Evaluation Manager. A staff member of the Change Management team will join the team for the ODJ visit and the Kampala visit.

The second team member (Barry Riley) will spend an extra week in Rome, after the departure of the first team member to the field offices. This will provide an opportunity for the second team member, who will focus on donor issues, to have more in-depth discussions with WFP staff in the Fund Raising and Communications Department and to visit donor representatives based in Rome. During this period the team member will also visit the European Commission in Brussels. A visit by the second team member to USAID/Washington will be arranged en route to his return to his home base in the USA.

The team will meet together again in Rome during the period of 20 February to 3 March to discuss their findings up to that time and to prepare an initial draft of their report inputs. A third meeting of the BPR evaluation reference group will be arranged in early March, at which time the initial findings up to that time will be shared with interested HQ colleagues. A PowerPoint presentation will be produced for this meeting.

Based on written inputs received from the team members, from his home base the team leader will prepare the full report and the shorter Executive Board summary report (and annexed management response matrix) by the end of March 2006 for submission to the Office of Evaluation (OEDE) for review and internal circulation for comments.

OEDE will circulate both reports for comments during early April, with the aim to have them ready for final editing and translation by PDBT by latest Friday 21 April 2006.

<u>Issues to be examined by the evaluation</u>

a) The team leader:

- The genesis and evolution of the BPR over time.
- Has the BPR been asking the right questions (e.g. relevance to Business Process optimization etc.)?
- To what extent does the BPR complement or overlap with other advance funding mechanisms, such as the WFP Immediate Response Account (IRA) established in the early 1990s and recently increased to US$70 million.[10]
- The added value of the BPR over better pipeline management, as well as multilateral/cash/multi-year funding.[11]

---

[10] For details, see Operations Department and Administration Department Joint Directive OD2005/005 – AD2005/009 entitled "Policies and Procedures for the Use of the Immediate Response Account (IRA)" dated 18 October 2005 (which supercedes Directive ED/99/005 and ED/98/007), in particular section 3.4 ("IRA and the Working Capital Facility") on pages 8 and 9.

[11] In this respect, pipeline management is not new to WFP. The Food Aid Supply Reporting (FASREP) system for EMOPs and PROs (predecessor to the PRRO) was introduced in the early 1990s as a resources/food supply projection and management tool. Also, internal loans of food have long been a feature of WFP field operations.

- The linkages between the BPR/WCF loans and the single project account (PCA); relevant importance and impact of both in different operations.
- The current lack of WINGS functionality for the project planning tool (foreseen to be ready for early 2006, however). Stand-alone spreadsheets appear to be the current approach, but imply more manual work and constant adjustments.
- The criteria for loan decisions – transparency, equitability between operations etc.[12]
- How risk is managed and the effectiveness of risk management – the role of managers, internal audit (for corporate guidance) etc. Analysis of the risks of the proposed new processes and financing mechanisms.
- The status of mainstreaming (final tools development, guidelines and procedures, available human and financial resources). Adequacy of human resources for the "roll-out" team. Examination of the field roll-out plan/proposed timetable and its feasibility.

b) First team member:

- To what extent has food been delivered in a more timely manner and what has been the impact of any such more timely deliveries on the beneficiaries and on beneficiary numbers?
- Are the right tools being developed to solve the pipeline problems identified?[13] Are the tools effective?
- The linkages between the BPR/WCF loans and the single project account (PCA); relevant importance and impact of both in different operations.
- The role of Regional Directors/Country Directors and other related parties, including the Credit Committee, in WCF loan and internal resources borrowing management.
- The capacity at Country Office level to manage the BPR.
- The impact of BPR on general RB/CO management of the operations in question, in particular the project planning tool.
- To what extent loans may have had an unintended negative impact on later resources availability of an operation (i.e. using now what may be needed at a later date)?

---

12 Are more credit-worthy or higher visibility operations given preference in loan allocations? What about the "forgotten emergencies"?

13 Do we include all the identified "building blocks" or only the three primary BPR tools? – i.e. (i) timely project closure and reallocation of resources (rather than returning them to donors), (ii) the single project account (allowing a more flexible use of project funds) and (iii) the working-capital (advance) facility.

c) Second team member:

- What have been the benefits of timely project closure for the overall availability of resources to the organization? To what extent have balances in donor accounts been minimized?
- The reliability and impact of donor forecasting; good donor forecasting is one of the pre-conditions for the efficiency and effectiveness of the working-capital financing (WCF).
- How do donors perceive the BPR?
- Donor conditionality (including in-kind and earmarking) and its impact on the repayment mechanism. How effective has the Donor Relations Division (FDD) been in changing donor behaviour and constraints to meet the requirements of the BPR, including marking of bags/containers?
- How have donor restrictions limited the effectiveness of the WCF?
- To what extent are donors willing and/or able to change their behaviour and pledge conditionality in order to facilitate the working of the BPR?

Field case studies

As noted above, it is envisaged that the evaluation will undertake four country or regional case studies during the months of February/March 2006, namely to ODJ, ODD, Kampala and Khartoum.

It is anticipated that each field case study will last up to one week, including international travel time. It should be possible to do the evaluation work in the capital cities for country-level operations or Regional Bureaux. Field trips outside of the capital are not envisaged.

After each field case study the evaluator will produce a maximum ten page report, summarizing the main findings and conclusions from the field visit. These four case study reports will be reproduced as annexes to the full technical report. The field case study reports will be circulated to the country offices/Regional Bureaux in question (plus other concerned staff) within two weeks of completion of the field visit for review and feedback.

The evaluation team will interview staff of the other pilot countries (e.g. DR Congo, Ethiopia, Indonesia and the Occupied Palestinian Territory) by telephone and make Notes for the Record on their discussions.[14]

[14] As noted earlier, the China Country Programme will close at the end of 2005.

The evaluation team

There will be a three person team:

The team leader (Michael Gotthainer) has expertise in cost accounting, financial flows and analysis and an understanding of the working of humanitarian relief operations, including food aid operations. The team leader will be engaged on the evaluation for a maximum of 75 working days during the three months period from mid-January to April 2006.
The first team member (Bronek Szynalski) has had a broad exposure to humanitarian relief operations, including an in-depth knowledge of WFP operations, as well as experience of resource flow issues. It is envisaged that the team member will be engaged on the evaluation for a maximum of 60 working days in the three months period from period mid-January to April 2006.
The second team member (Barry Riley) has a broad experience of humanitarian operations and related donor/funding issues. He will focus on donor issues/concerns. He will be engaged for a maximum of 45 working days from mid-January to mid-March 2006.

Expected outputs (products)

1. A full technical report, which should not exceed 100 pages, including all annexes.
2. A summary report for consideration of the WFP Executive Board (maximum length: 5,000 words).[15]
3. A management response matrix, as an annex to the EB summary report (maximum 2,000 words, including the responses to the key recommendations).[16]

Budget

It is estimated that the overall cost of the evaluation will be US$125,000.

[15] The summary report and annexed recommendations tracking matrix will be presented to the WFP Executive Board at its Annual Session in June 2006. The full report will be made available at the same time as a reference document.
[16] Ideally, the number of key recommendations should not exceed a dozen, although additional subsidiary recommendation may be contained in the full report (and not be part of the management response matrix).

Annex VIII - List of main persons met by the evaluation team

a) WFP Headquarters, Rome

- Michael Stayton, Chief of Staff and Director, OED.
- Michael Usnick, Director, OEDR.
- Jamie Wickens, Associate Director of Operations, ODO.
- Suresh Sharma, Director, Change Management.
- Richard Wilcox, Director, Business Planning.
- Eduardo Manus, Business Analyst, OEDSP.
- Torben Due, Director, ODM.
- Terri Toyota, Chief, ODMP.
- Nicolas Oberlin, Senior Business Analyst, ODMP (and formerly staff member in DR Congo – a BPR pilot country).
- Anne Nardini, Business Analyst, ODMP.
- Armand Ndimurukundo, Programme Officer, ODMP.
- Michiel Meerdink, Programme Officer, ODMP.
- Gina Casar, Chief Financial Officer.
- Eric Whiting, Deputy Director, ADF.
- Sean O'Brien, Acting Director, OEDB.
- Finbarr Curran, Chief Information Officer and Director, ADI.
- Martin Ohlsen, Chief, ODTF.
- Nicole Menage, Chief, ODTP.
- Kees Tuinenburg, Director, Office of Evaluation.
- Alain Cordeil, Senior Evaluation Officer (former ODD RB staff member).
- Georgia Shaver, Ombudsman (former WFP Representative/Country Director in Ethiopia).
- Mohamed Saleheen, WFP Representative/Country Director, Jakarta, Indonesia (interviewed by the evaluation manager while on a visit to Rome).
- Kojo Anyanful, Director, OSDA.
- Craig Nordby, Internal Auditor, OSDA.
- Carola Andersson, Consultant, OSDA.
- Allan Jury, Director, PDE.
- Giammichele De Maio, External Relations Officer, PDE.
- Valerie Sequeira, Director, FDD.
- Susana Rico, Deputy Director, FDD.
- George Heymell, Senior Donor Relations Officer, FDD.

b) WFP staff interviewed by telephone

- Felix Bamezon, WFP Representative/Country Director, and Claude Jibidar, DCD, DR Congo, and staff.
- Paul Turnbull, Head of Programme, WFP, Ethiopia, together with Rebecca Daoudi and Joseph Ferraro.
- Bradley Busetto, Deputy Country Director, Indonesia (and former HQ BPR manager).
- Arnold Vercken, WFP Representative, and William Hart, OPT.

c) WFP staff met during the four field case study visits

ODJ/Johannesburg:
- Michael Sackett, Regional Director.
- Peter Gray, Senior Regional Programme Adviser (BPR manager for ODJ).
- George Aelion, Senior Regional Programme Adviser.
- Asif Bhutto, Regional Financial Analyst.
- Pedro Figueiredo, Senior Regional Logistics Officer.
- George Gegelia, Regional Procurement Officer.
- Mackena Walker, Regional Resources Mobilization Officer.
- Lola di Castro, Deputy Country Director, Malawi (by telephone).
- Dorothy Hector, Logistics Officer, Malawi (by telephone).
- Valerie Guarnieri, Deputy Country Director, Zimbabwe (by telephone).
- Julie MacDonald, ODMP, on TDY to ODJ for the BPP project.

ODD/Dakar:
- Mustapha Darboe, Regional Director.
- Christine van Nieuwenhuyse, Deputy Regional Director.
- Laurent Bukera, Chief, Regional Coordination Unit (RFU) and former BPR manager in Headquarters.
- Pascale Crapouse, Regional Financial Analyst.
- Sandro Banal, Pipeline Manager.
- Louis Imbleau, WFP Representative/Country Director, Liberia and staff (by telephone).
- Guyon Le Buffy, WFP Representative/Country Director, Guinea, and staff (by telephone).
- Ismael Omer, WFP Representative/Country Director, Sierra Leone, and staff (by telephone).

ODK/Kampala:

- Holdbrooke Arthur, Regional Director.
- Nicholas Siwingwa, Deputy Regional Director.
- Cephas Ocloo, Regional Financial Analyst.
- Bienvenue Djossa, Senior Regional Programme Adviser, and members of the ODK region BPR task force team.
- Adham Basty, Regional Logistics Officer.
- Dominique Leclerq, Regional Procurement Officer
- Laila Ahadi, Procurement Officer.
- Sophie Owori, Staff Assistant (Procurement).

Kampala Country Office:

- Ken Noah Davies, WFP Uganda Representative/Country Director.
- Alix Loriston, Deputy Country Director.
- Desire Mugisha, Finance Officer.
- Izzeldin Abdalla, Warehouse Manager.
- Collins Nyeko, Programme Assistant (Pipeline - OLS).

ODS Office, Khartoum:

- Ramiro Lopes DaSilva, WFP Representative.
- Bradley Guerrant, Deputy Representative (Programme).
- E.T. Tagoe, Deputy Representative (Support Services).
- Virginia Kamau, Head, Finance and Administration.
- Thomas Shortley, Senior Programme Adviser.
- Sarah Longford, Area Coordinator, CETA.
- Daniel Clarke, Reports Officer.
- Damallie Kasana, BPR focal point.
- Rahana Ibrahim, Pipeline Officer.
- Ilaria Dettori, NBM focal point.
- Saadia Sulieman, Finance Office.
- Doudou Nyazoke and Manasik Eltayeb, Procurement.
- Manasik El Tayab, Procurement Office.
- David Schaad, Alex Marianelli, Dragica Pajevic and Nada Iselpho, Logistics Office.

OCHA office, Khartoum:

- Gemmo Lodesani, Deputy Humanitarian Coordinator (to discuss the Common Humanitarian Fund – CHF – in the Sudan).

d) Representatives of the following donors and organizations were interviewed in Brussels, Geneva, Rome and Washington D.C.:

- Australia
- Belgium
- Canada
- Denmark
- European Commission, including EuropeAid and ECHO
- Finland
- Germany
- International Committee of the Red Cross (ICRC)
- Japan
- Netherlands
- Norway
- Sweden
- Switzerland
- United Kingdom
- United States of America

Annex IX

Bibliography: List of the main documents reviewed by the evaluation team

Date	Title	Reference
04 December 1998	Direct Support Cost Advance Facility	WFP/EB.1/99/4-B
04 November 2005	ODM New Business Model WFP tools up for the future	Finance Officers Orientation
1 February 2005	Business Process Review	Executive Board Presentation
12 August 2005	Findings of Feedback Project - Business Process Review	Boston Consulting Group
12 August 2005	WFP Project Planning Tool	Boston Consulting Group
14 January 2004	Information Note on Piloting Business Process Changes	Informal Consultation
15 March 2006	IT Requirements for Project Cash Account	ODM
15 October 2003	Review of Business Process and Financing Model	Boston Consulting Group
16 September 2004	Business Process Review: Second Progress Report on the Pilot Projects	WFP/EB.3/2004/12-B/1
17 February 2006	Report of the Business Process Review	WFP/EB.1/2006/6-F
17 January 2005	Business Process Review: Working-Capital Financing	Information Consultation
18 October 2005	Operations Department and Administrative Department Joint Directive – Policies and Procedures for the use of the Immediate Response Account (IRA)	OD2005/005 AD/2005/009
20 November 2003	Information Note on the Business Process Review	Informal consultation
20 November 2003	Information Note on Piloting Business Process Changes	Informal Consultation
20 October 2005	Improvement of the Central Emergency Revolving Fund	A-60-432
2006	Project Planning Tool Users Guideline	ODMP
21 April 2005	How the Bank Works	ODM Regional Directors Teleconference
22 February 2006	Internal Audit Engagement Plan Audit of WFP's Business Process Review	HQ-ODM-05-006
24 January 2005	Business Process Review: Working-Capital Financing	WFP/EB./2005/5-C
24 May 2004	Business Process Review. Pilot Update	WFP/EB.2/2004/6-B
27 January 2004	Business Process Review: Pilot Financing Paper	WFP/EB.1/2004/5-A/1
28 February 2006	Central Emergency Response Fund: Criteria and Procedures for allocating CERF funds to under-funded crises.	UNOCHA
28 May 2004	Business Process Review Update	
3 September 2002	Final Report on Balances of Projects Closed Prior to 2001 and Migrated to Wings	WFP/EB.3/2002/5-E/1
31 August 2005	Working Capital Financing: A Practical Guide	ODM Regional Finance Workshop
4 April 2005	Risk Management in Working Capital Financing	Executive Board Membership Consultation
4 October 2005	Report on the Business Process Review	WFP/EB.2/2005/5-1-/1
7 December 2004	Business Process Review: Meeting on Donor Conditions and Working Capital Financing	Executive Board Presentation

7 October 2005	Funding for Effectiveness	WFP/EB.2/2005/5-B
9 May 2005	Business Process Review: Progress Report on Implementation	WFP/EB.A/2005/6-D/1
Fourth Quarter 2005	BPR Bank Package Spreadsheets	BPR Pilot Projects (excluding China)
March 2004	Business Process Review Update Number 2	OEDBP
October 2004	Business Process Review	Executive Board Presentation
	EB Board Verbatim Notes	Meetings at which there was a BPR Presentation